
CITY OF PALMVIEW, TEXAS

AUDITED ANNUAL FINANCIAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 2021

ADRIAN WEBB
CERTIFIED PUBLIC ACCOUNTANT

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CITY OF PALMVIEW, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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ADRIAN WEBB, CPA

**Certified Public Accountant
McAllen, Texas**

Independent Auditor's Report

To the City Council of the
City of Palmview, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Palmview (the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Palmview 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 discussion and analysis, schedule of funding progress, schedule of net pension liability and related ratios, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Adrian Webb, CPA
Adrian Webb
Certified Public Accountant

McAllen, Texas

December 15, 2022

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**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30 , 2021**

As management of the City of Palmview, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year Ended September 30, 2021. Please read it in conjunction with the independent's auditor's report, and the City's Basic Financial Statements.

Financial Highlights

- The assets plus the deferred outflows of resources of the City of Palmview exceeded its liabilities plus the deferred inflows of resources as of September 30, 2021, by \$8,215,081 (net position). Of this amount, \$4,183,609 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$1,517,307 over fiscal year 2019-2020 operations.
- As of the close of the current fiscal year, the City of Palmview's governmental funds reported combined ending fund balances of \$7,285,385.
- As of September 30, 2021, unassigned fund balance for the General Fund was \$6,361,200 or 74.22% of the total General Fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statement. The government-wide financial statements, which begin on page 10 of this report, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the 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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees

**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30 , 2021**

and charges. The governmental activities of the City include General Government, Public Safety, Public Works, and Cultural and Recreation..

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 three categories: governmental, funds, proprietary funds, and fiduciary funds. The fund financial statements for governmental funds can be found in the financial section of this report.

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 current sources and uses 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 evaluation 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Beginning on page 14 of this report, information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, CARE's Act, ARPA, and Urban County all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 – 48 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules that further support the information in the financial statements. The combining fund statements and schedules for non-major funds are presented on page 54 of this report.

**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30 , 2021**

Governmental-wide Financial Analysis

As noted earlier, net position may serve over time as useful indicator of government's financial position. In the case of the City of Palmview, assets plus deferred outflows of resources exceeded liabilities plus the deferred inflows of resources by \$8,215,081 as of September 30, 2021.

The largest portion of the City's net position (\$1,538,344) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Palmview, Texas					
Statement of Net Position					
	Governmental Activities		Totals		Increase (Decrease)
	2021	2020	2021	2020	
Current Assets	\$ 11,554,701	\$ 6,163,523	\$ 11,554,701	\$ 6,163,523	\$ 5,391,178
Capital Assets, Net	11,275,075	9,363,794	11,275,075	9,363,794	1,911,281
Total Assets	<u>\$ 22,829,776</u>	<u>\$ 15,527,317</u>	<u>\$ 22,829,776</u>	<u>\$ 15,527,317</u>	<u>\$ 7,302,459</u>
Deferred Outflows of Resources	-	200,331	-	200,331	(200,331)
					-
Current Liabilities	2,352,707	1,174,213	2,352,707	1,174,213	1,178,494
Non-Current Liabilities	12,248,145	7,212,359	12,248,145	7,212,359	5,035,786
Total Liabilities	<u>14,600,852</u>	<u>8,386,572</u>	<u>14,600,852</u>	<u>8,386,572</u>	<u>6,214,280</u>
Deferred Inflows of Resources	13,843	643,302	13,843	643,302	(629,459)
Net Position					
Net Invested in Capital Assets	\$ (1,538,344)	\$ 2,119,186	\$ (1,538,344)	\$ 2,119,186	\$ (3,657,530)
Restricted	5,569,816	-	5,569,816	-	5,569,816
Unrestricted	4,183,609	4,578,588	4,183,609	4,578,588	(394,979)
Total Net Position	<u>\$ 8,215,081</u>	<u>\$ 6,697,774</u>	<u>\$ 8,215,081</u>	<u>\$ 6,697,774</u>	<u>\$ 1,517,307</u>

The City's net position of \$8,215,081 net of investments has and unrestricted balance of \$4,183,609 that may be used to meet the City's ongoing obligation to citizens and creditors in accordance with the City's fund designation and fiscal policies.

**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30 , 2021**

Analysis of the City's Operations – The following Table Provides a summary of the City's operations for the year ended September 30, 2021. Governmental Activities increased the City of Palmview's net position by \$1,517,307.

	City of Palview's Changes in Net Position				
	Governmental		Totals		Increase
	2021	2020	2021	2020	(Decrease)
Revenues					
Program Revenues					
Charges for Services	\$ 2,001,223	\$ 2,845,527	\$ 2,001,223	\$ 2,845,527	\$ (844,304)
Operating Grants and Contributions	1,566,059	2,227,060	1,566,059	2,227,060	(661,001)
General Revenues					
Property Taxes, Levied for general purposes	2,788,816	2,832,047	2,788,816	2,832,047	(43,231)
Sales Taxes	2,170,278	1,828,997	2,170,278	1,828,997	341,281
Franchise Taxes	426,465	544,508	426,465	544,508	(118,043)
Miscellaneous	543,190	304,925	543,190	304,925	238,265
Interest Revenue	88,611	518	88,611	518	88,093
Total Revenues	9,584,642	10,583,582	9,584,642	10,583,582	(998,940)
Expenses					
General Government	3,817,632	4,632,449	3,817,632	4,632,449	(814,817)
Public Safety	3,781,281	2,631,558	3,781,281	2,631,558	1,149,723
Public Works	270,914	-	270,914	-	270,914
Highways and Streets	863,635	717,636	863,635	717,636	145,999
Culture and Recreational	194,924	240,182	194,924	240,182	(45,258)
Debt Service	366,493	368,155	366,493	368,155	(1,662)
Total Expenses	\$ 9,294,879	\$ 8,589,980	\$ 9,294,879	\$ 8,589,980	\$ 704,899
Change in Net Position	289,763	1,993,602	289,763	1,993,602	(1,703,839)
Net Position Beginning	6,697,774	3,791,673	6,697,774	6,697,774	-
Prior Period Adjustment	1,227,544	912,499	1,227,544	912,499	315,045
Net Position Ending	\$ 8,215,081	\$ 6,697,774	\$ 8,215,081	\$ 6,697,774	\$ 1,517,307

Governmental Funds – The focus of the City of Palmview'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 spending at the end of the fiscal year.

**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30 , 2021**

In fiscal year ending 2021, the governmental fund's total fund balances increased by \$4,526,053 due primarily to other financing sources.

Capital Assets

The City of Palmview's investments in capital assets for its governmental activities as of September 30, 2021, amounts to \$11,275,074, net of accumulated depreciation. This investment in capital assets includes land, building and equipment, improvements other than buildings, infrastructure, and construction work in progress. Declines in overall asset valuations were due to accumulated depreciation on aging assets. Major capital asset events occurring during the current fiscal year included the following.

	City of Palmview's Capital Assets at Year End		Increase (Decrease)
	Governmental Activities		
	2021	2020	
Capital Assets			
Land	895,510	\$ 916,696	\$ (21,186)
Construction in Progress	881,560	2,918,659	(2,037,099)
Buildings	5,903,738	5,917,869	(14,131)
Furniture and Equipment	5,575,154	4,340,300	1,234,854
Infrastructure/Streets	4,020,801	568,781	3,452,020
	<u>17,276,763</u>	<u>\$ - \$ 14,662,305</u>	<u>\$ 2,614,458</u>
Less: Accumulated Depreciation	(6,001,689)	(5,300,461)	(701,228)
Total Capital Assets (Net)	<u>11,275,074</u>	<u>\$ 9,361,844</u>	<u>\$ 1,913,230</u>

Debt Administration

At the end of the current fiscal year, the City of Palmview had total bonded Debt, notes payable and capital lease obligations of \$11,195,401. Of this amount, \$ represents bonded debt backed by the full faith and credit of the government, and \$1,284,882 represents debt from capital leases.

**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30 , 2021**

	Governmental		Increase
	2021	2020	(Decrease)
Long- Term Obligations			
Bonds payable	\$ 5,598,000	\$ 4,288,000	\$ 1,310,000
Notes payable	5,170,000	1,985,000	3,185,000
Capital leases.	1,284,882	517,895	766,987
Relending	427,401	453,713	(26,312)
	\$ 12,480,283	\$ 7,244,608	\$ 5,235,675

Economic Factors and Next Year's Budgets and Rates

- The City of Palmview adopted a new tax rate of .4901/\$100 valuation, a \$.01 reduction from the fiscal year 2020 tax rate of .5001/\$100 valuation. This rate reduction serves to provide some relief to property owners receiving higher appraisal values, while also providing the revenue necessary to fund programs and services.
- The 2022 General Fund operating budget was prepared estimating a balance budget at September 30, 2022.
- The City received \$4,995,000 from bond proceeds during the fiscal year of 2021 which the city intends to fully invest this amount in solid waste equipment and Public Works by year end 2023.

Request For Information

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact the City Manager or the Finance Director at:

City of Palmview
403 W. Veterans Blvd.
Palmview, Texas 78572
(956) 432-0300

CITY OF PALMVIEW
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT A-1

Data	Primary	Component Unit
Control	Government	Palmview
Codes	Governmental	MDD
	Activities	
ASSETS		
1010 Cash and Cash Equivalents	\$ 7,526,439	\$ 407,021
1150 Accounts Receivable, Net	988,651	-
1210 Special Assessments Receivable, Net	2,027,573	-
1260 Due from Other Governments	1,012,038	-
Capital Assets:		
1710 Land Purchase and Improvements	895,510	-
1720 Infrastructure, Net	3,277,752	-
1730 Buildings, Net	4,027,437	-
1750 Furniture and Equipment, Net	2,192,816	-
1760 Capital Assets	-	3,790,037
1780 Construction in Progress	881,560	-
1000 Total Assets	<u>22,829,776</u>	<u>4,197,058</u>
LIABILITIES		
2010 Accounts Payable	271,825	6,668
2020 Wages and Salaries Payable	78,282	-
2230 Unearned Revenues	1,122,157	-
2240 Bonds, Notes, Capital Leases - Current	860,443	200,000
2270 Other Current Liabilities	20,000	-
Noncurrent Liabilities:		
2502 Bonds Payable - Noncurrent	5,143,000	3,425,000
2520 Loans Payable - Noncurrent	5,298,826	-
2540 Capital Leases Payable - Noncurrent	1,178,013	-
2550 Compensated Absences	421,261	-
2580 Net Pension Liability	207,045	-
2000 Total Liabilities	<u>14,600,852</u>	<u>3,631,668</u>
DEFERRED INFLOWS OF RESOURCES		
2602 Deferred Inflow Related to Pension Plan and OPEB	13,843	-
2500 Total Deferred Inflows of Resources	<u>13,843</u>	<u>-</u>
NET POSITION		
3200 Net Investment in Capital Assets	(1,538,344)	-
Restricted for:		
3850 Capital Acquisition	4,645,631	-
3860 Debt Service	55,240	-
3890 Other Purposes	868,945	-
3900 Unrestricted	4,183,609	565,390
3000 Total Net Position	<u>\$ 8,215,081</u>	<u>\$ 565,390</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PALMVIEW
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
100 General Government	\$ 3,817,632	\$ 1,305,448	\$ 1,034,961
200 Public Safety	3,781,281	695,775	506,225
300 Public Works	270,914	-	-
310 Highways and Streets	863,635	-	-
500 Culture and Recreation	194,924	-	24,873
700 Debt Service	148,540	-	-
720 Interest on Debt	217,953	-	-
TOTAL PRIMARY GOVERNMENT	\$ 9,294,879	\$ 2,001,223	\$ 1,566,059
Component Unit:			
991 Palmview MDD Expenses	\$ 646,063	\$ -	\$ -
TOTAL COMPONENT UNIT	\$ 646,063	\$ -	\$ -

Data Control Codes	General Revenues:
	Taxes:
5010	Property Taxes, Levied for General Purposes
5011	Property Taxes, Levied for Debt Service
5120	General Sales and Use Taxes
5150	Gross Receipts Business Tax
5170	Franchise Tax
5190	Penalty and Interest on Taxes
5700	Miscellaneous Revenue
	Total General Revenues
	Change in Net Position
	Net Position-- Beginning
	Prior Period Adjustment
	Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position	
<u>Primary Government</u>	<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Palmview MDD</u>
(1,477,223)	-
(2,579,281)	-
(270,914)	-
(863,635)	-
(170,051)	-
(148,540)	-
(217,953)	-
<u>(5,727,597)</u>	<u>-</u>
-	(646,063)
<u>-</u>	<u>(646,063)</u>
2,092,892	-
695,924	-
2,170,278	611,796
13,267	-
413,198	-
88,611	-
543,190	-
<u>6,017,360</u>	<u>611,796</u>
289,763	(34,267)
6,697,774	599,657
1,227,544	-
<u>\$ 8,215,081</u>	<u>\$ 565,390</u>

CITY OF PALMVIEW
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

Data Control Codes	General Fund	Care's Act	ARPA
ASSETS			
1010 Cash and Cash Equivalents	\$ 5,266,653	\$ 702,318	\$ 715,359
1050 Taxes Receivable	481,585	-	-
1051 Allowance for Uncollectible Taxes (credit)	(96,317)	-	-
1150 Accounts Receivable, Net	420,236	-	-
1210 Special Assessments Receivable, Net	2,027,573	-	-
1260 Due from Other Governments	374,357	-	-
1300 Due from Other Funds	1,067,984	-	-
1000 Total Assets	<u>\$ 9,542,071</u>	<u>\$ 702,318</u>	<u>\$ 715,359</u>
LIABILITIES			
2010 Accounts Payable	\$ 271,825	\$ -	\$ -
2020 Wages and Salaries Payable	78,282	-	-
2080 Due to Other Funds	129,684	702,318	230,882
2230 Unearned Revenues	2,295,812	-	484,477
2270 Other Current Liabilities	20,000	-	-
2000 Total Liabilities	<u>2,795,603</u>	<u>702,318</u>	<u>715,359</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	385,268	-	-
2600 Total Deferred Inflows of Resources	<u>385,268</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
3545 Committed Fund Balance	4,645,631	-	-
3590 Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	1,715,569	-	-
3000 Total Fund Balances	<u>6,361,200</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,542,071</u>	<u>\$ 702,318</u>	<u>\$ 715,359</u>

The notes to the financial statements are an integral part of this statement.

Urban County Program	Other Funds	Total Governmental Funds
\$ -	\$ 842,109	\$ 7,526,439
-	119,964	601,549
-	(23,993)	(120,310)
-	87,176	507,412
-	-	2,027,573
637,681	-	1,012,038
-	31,864	1,099,848
<u>\$ 637,681</u>	<u>\$ 1,057,120</u>	<u>\$ 12,654,549</u>
\$ -	\$ -	\$ 271,825
-	-	78,282
-	36,964	1,099,848
637,681	-	3,417,970
-	-	20,000
<u>637,681</u>	<u>36,964</u>	<u>4,887,925</u>
-	95,971	481,239
-	95,971	481,239
-	-	4,645,631
-	924,185	924,185
-	-	1,715,569
-	924,185	7,285,385
<u>\$ 637,681</u>	<u>\$ 1,057,120</u>	<u>\$ 12,654,549</u>

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CITY OF PALMVIEW
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$	7,285,385
Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		11,275,075
Long-Term Liabilities, including bonds payable, are note due and payable in the current period and therefore are not reported in the fund financial statements.		(13,020,287)
Net deferred inflows of resourses related to the City's net pension liability results in an decrease in net position in the government-wide financial statements		(13,843)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		2,688,751
Net Position of Governmental Activities	\$	8,215,081

The notes to the financial statements are an integral part of this statement.

CITY OF PALMVIEW
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Data Control Codes	General Fund	Care's Act	ARPA
REVENUES:			
Taxes:			
5110 Property Taxes	\$ 2,109,974	\$ -	\$ -
5120 General Sales and Use Taxes	1,766,985	-	-
5150 Gross Receipts Business Tax	13,267	-	-
5170 Franchise Tax	413,198	-	-
5190 Penalty and Interest on Taxes	70,191	-	-
5200 Licenses and Permits	258,622	-	-
5300 Intergovernmental Revenue and Grants	771,000	382,275	230,881
5400 Charges for Services	1,195,840	-	-
5510 Fines	525,361	-	-
5550 Special Assessments	50,242	-	-
5610 Investment Earnings	29	-	-
5620 Rents and Royalties	144,000	-	-
5700 Other Revenue	99,824	-	-
5020 Total Revenues	<u>7,418,533</u>	<u>382,275</u>	<u>230,881</u>
EXPENDITURES:			
Current:			
0100 General Government	3,025,209	382,275	89,888
0200 Public Safety	3,045,152	-	-
Public Works:			
0310 Highways and Streets	863,635	-	-
0500 Culture and Recreation	189,420	-	-
Debt Service:			
0700 Debt Service	143,944	-	-
0710 Principal on Debt	60,619	-	-
0720 Interest on Debt	9,715	-	-
Capital Outlay:			
0800 Capital Outlay	1,232,815	-	140,993
6030 Total Expenditures	<u>8,570,509</u>	<u>382,275</u>	<u>230,881</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,151,976)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7911 Issuance of Bonds	4,995,000	-	-
7912 Sale of Real and Personal Property	48,500	-	-
7913 Proceeds from Capital Leases	827,605	-	-
7915 Transfers In	425,029	-	-
8911 Transfers Out	(48,500)	-	-
7080 Total Other Financing Sources (Uses)	<u>6,247,634</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	5,095,658	-	-
0100 Fund Balance - October 1 (Beginning)	1,683,465	-	-
1300 Prior Period Adjustment	(417,923)	-	-
3000 Fund Balance - September 30 (Ending)	<u>\$ 6,361,200</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Urban County Program	Other Funds	Total Governmental Funds
\$ -	\$ 692,539	\$ 2,802,513
-	403,293	2,170,278
-	-	13,267
-	-	413,198
-	18,420	88,611
-	-	258,622
24,873	157,030	1,566,059
-	21,399	1,217,239
-	-	525,361
-	-	50,242
-	3,597	3,626
-	-	144,000
-	173,510	273,334
<u>24,873</u>	<u>1,469,788</u>	<u>9,526,350</u>
-	224,150	3,721,522
-	248,132	3,293,284
-	-	863,635
-	-	189,420
-	4,596	148,540
-	526,311	586,930
-	208,238	217,953
<u>24,873</u>	<u>266,419</u>	<u>1,665,100</u>
<u>24,873</u>	<u>1,477,846</u>	<u>10,686,384</u>
-	(8,058)	(1,160,034)
-	-	4,995,000
-	-	48,500
-	-	827,605
-	48,500	473,529
-	(425,029)	(473,529)
-	(376,529)	5,871,105
-	(384,587)	4,711,071
-	1,075,867	2,759,332
-	232,905	(185,018)
<u>\$ -</u>	<u>\$ 924,185</u>	<u>\$ 7,285,385</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$	4,711,071
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 of capital assets recorded in the current period.		1,665,100
Capital lease and note payable transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. The net effect to net position is as follows.		(3,925,882)
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(861,686)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of the following.		(1,310,000)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, recognizing the liabilities associated with maturing long-term debt and interest, the net change in net pension liability/asset and deferred inflows, and the net change in OPEB liability, deferred outflows and deferred inflows. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		11,160
Change in Net Position of Governmental Activities	\$	289,763

The notes to the financial statements are an integral part of this statement.

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Note 1. Summary of Significant Accounting Policies

City of Palmview, (the “City”) was incorporated on April 15, 1972, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Mayor-City Council form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Palmview, Texas conform to generally accepted principles as applicable to governmental units. The following is a summary of the more significant of such policies:

New Accounting Standards Adopted

In fiscal year 2020-2021, the City adopted new statements of financial accounting standards issued by the *Governmental Accounting Standards Board*:

- Statement No. 92, Omnibus 2020

Statement No. 92 The objective of this statement are to enhance comparability in accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, governmental acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements and derivative instruments. Improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The requirements of this statements apply to the financial statements of all state and local governments.

The requirements of this statements are effective for reporting periods beginning after June 15, 2020.

The adoption of Statement No. 92 has no impact on the City’s financial statements.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Each blended component unit has a September 30 year-end.

Note 1. Summary of Significant Accounting Policies - Continued

Discretely Presented Component Unit – The Palmview Municipal Development District (MDD) was organized on behalf of the City of Palmview for the specific public purpose of promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. The MDD is governed by seven (7) directors, residents of the District and are appointed by the City Council. The primary source of revenue is sales tax restricted by State statute that allows for this type of tax and by the City general election that adopted this sales tax. Exercise of all powers to affect the purposes of the corporation is subject, at all times, to the control of the Palmview Board of Directors of the MDD; and is also subject to oversight by the Palmview City Council. The MDD was incorporated during the fiscal year ending September 30, 2014.

B. Government-wide Fund 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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized

Note 1. Summary of Significant Accounting Policies - Continued

as revenue 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.

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 revenue to be available if 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 and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund types:

The City reports the following major Governmental Funds:

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

Special Revenue Funds — accounts for the revenues and expenditures associated with a special project or purpose. These special revenue funds are Care's Act, ARPA, and the Urban County Program.

The City reports the following major Governmental Funds:

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

Special Revenue Funds — accounts for the revenues and expenditures associated with a special project or purpose. See the Combining Schedule of Nonmajor Funds.

Note 1. Summary of Significant Accounting Policies - Continued

D. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Ambulance receivables in excess of 180 days comprise the ambulance allowance for uncollectible. The allowance for uncollectible accounts for capias warrants is set at 90% of outstanding receivables.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end.

Taxes are prorated between general and debt service funds based on rates adopted for the year of the levy.

F. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Note 1. Summary of Significant Accounting Policies - Continued

G. 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. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15-50
Improvements	20-50
Equipment	5-10
Infrastructure (Streets and Drainage)	5-40

H. Compensated Absences

City employees are granted vacation and sick pay in varying amounts. In the event of termination, an employee is paid for all accumulated, unused vacation. Vacation pay is accrued as it vests to the employee. Sick pay is recorded when paid or upon retirement when a maximum of 90 days is paid. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

I. Leases

The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The

Note 1. Summary of Significant Accounting Policies - Continued

lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, the face amount of debt issued is reported as other financing sources for the governmental fund types.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are charged to current operations rather than being deferred and amortized due to the relatively immaterial effect on the basic financial statements taken as a whole.

K. Fund Balance Classification

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

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 or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by resolution of the City Council, the City's highest level of

Note 1. Summary of Significant Accounting Policies - Continued

decision making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action 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.

L. Minimum Unassigned Fund Balance

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to three months of that year's budgeted expenditures. The City Council may declare a fiscal emergency and withdraw any amount of the unassigned balances for purposes of addressing the fiscal emergency. Any such action must also provide for necessary appropriations to restore the designated fund balance to the balance within a three-year period.

M. Net Position Flow Assumption

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to three months of that year's budgeted expenditures. The City Council may declare a fiscal emergency and withdraw any amount of the unassigned balances for purposes of addressing the fiscal emergency. Any such action must also provide for necessary appropriations to restore the designated fund balance to the balance within a three-year period.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

Pension/OPEB contributions after measurement date — These contributions are deferred and recognized in the following fiscal year.

Difference in projected and actual earnings on pension assets and OPEB liabilities — This difference is deferred and amortized over a closed five year period.

Difference in expected actual pension/OPEB experience — This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Note 1. Summary of Significant Accounting Policies – Continued

O. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

P. Risk Management

Insurance coverage for property, liability and workers' compensation is provided by the Texas Municipal League Intergovernmental Risk Pool, a state insurance pool. Contributions to the Risk Pool for workers' compensation are based on the City's past claims history. The Risk Pool is self-sustaining through members' contributions and maintains insurance to limit risk of loss with an external insurance company. Settlement claims have not exceeded aggregate limits in the past three fiscal years.

Q. Pensions

For purposes of measuring the net pension asset, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in 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. Information regarding the City's Net Pension Asset is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

R. Other Post-Employment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the City's actuary report. For this purpose, OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Information regarding the City's Total OPEB Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental

Note 1. Summary of Significant Accounting Policies – Continued

Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

S. Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, establishes a criteria for identifying activities of all state and local governments. The focus of the of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangement that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement was adopted in the current year. The implementation of this Statement did not affect the City's financial statements.

GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61, improves the consistency and comparability of reporting a government's majority equity interests in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interests and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interests meets the definition of an investment. A majority equity interest meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The implementation of this Statement did not affect the City's financial statements.

The Governmental Accounting Standards Board has issued statement that will become effective in future years. These statements are as follows:

GASB Statement No. 87, Leases – The Objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as

Note 1. Summary of Significant Accounting Policies – Continued

inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this statement is planned for fiscal year 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Note 2. Stewardship, Compliance and Accountability

Budgetary Information

The City of Palmview, Texas prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City’s method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the General Fund are that total property taxes collected are recognized as revenues (budget) as opposed to recognizing the current year levy as revenues (GAAP).

The Board of Alderman adopts an “appropriated budget” for the General Fund. In accordance with Government Accounting Standards Board. (GASB) Statement 34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears as a Budgetary Comparison Schedule in the required supplementary information section.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

Note 2. Stewardship, Compliance and Accountability – Continued

3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Board. Once a budget is approved, it can be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact. And are reflected in the official minutes of the Board, and are not made after fiscal year end. No budget amendments were approved during the year.
4. Budgets are amended by the Board as needed. All budget appropriations lapse at year end.

Note 3. Deposits and Investments

At September 30, 2021, the carrying amount of the City's deposits (cash) was \$7,526,439, and the bank balance was \$7,917,539 all of which is unrestricted. The City maintains cash balances deposited with several financial institutions. The Federal Deposit Insurance Corporation (FDIC) provides insurance on interest and non-interest-bearing accounts up to \$250,000. As of September 30, 2021, the City's funds that were held in both interest and non-interest-bearing accounts above FDIC coverage limits were not collateralized.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the

State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Note 3. Deposits and Investments – Continued

As of September 30, 2021, the City held the following fair value measurements:

Interest Rate Risk. In accordance with its investment policy, the government manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its investment portfolios to a maximum of 540 days.

Custodial Credit Risk. The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. The City's policy and state statutes require that all deposits in financial institutions be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized as per the Public Funds Collateral Act. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2021.

Credit Risk. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's assets in investments meet the requirements as noted above.

Municipal Development District

The funds of the Municipal Development District (MDD) must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law.

At September 30, 2021 the carrying amount of the MDD's deposits (cash) was \$407,021 and the bank balance was \$409,566 all of which is unrestricted. The Federal Deposit Insurance Corporation (FDIC) provides insurance on interest and non-interest-bearing accounts up to \$250,000 as of September 30, 2021, the MDD's funds that were held in both interest and non-interest bearing accounts.

Note 4. Ad Valorem Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Delinquent taxes are prorated between general and debt service funds based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt

Note 4. Ad Valorem Property Taxes - Continued

Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Property taxes are billed and collected by the Hidalgo County Tax Office for the City by contract agreement. Tax collections are transferred directly into the City's bank account.

The City is a Home-Rule Charter City with a maximum authorized tax rate for all purposes of \$2.50 per \$100 valuation. For the year ended September 30, 2021, property taxes were \$.3678 and \$.1223 for the general fund and the debt service fund respectively, per \$100 assessed value.

Note 5. Disaggregation of Receivables

Receivables as of year-end for the government's individual major funds, and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Taxes	Fines Receivable	EMS	Due From Other Governments	Other	Total Receivables
Governmental Funds:						
General Fund	\$481,585	4,137,904	\$ 957,995	\$ 374,357	\$151,997	\$6,103,838
Urban County Program	-	-	-	637,681	-	637,681
CARE'S Act	-	-	-	-	-	-
Relending Program	-	-	-	-	86,881	86,881
Debt Service Fund	119,964	-	-	-	-	119,964
Department of Treasury	-	-	-	-	8,976	8,976
Allowance for Uncollectible	(120,310)	(2,110,331)	(689,756)	-	(8,681)	(2,929,078)
Total - Governmental Activities	<u>\$481,239</u>	<u>\$2,027,573</u>	<u>\$ 268,239</u>	<u>\$ 1,012,038</u>	<u>\$239,173</u>	<u>\$4,028,262</u>

Note 6. Note Receivables

Note receivables are due for the economic development of the City. These notes bear interest of 4% and are paid on the 15th of every month, with maturities ranging from 2020 to 2024; the notes are collected by a separate agency. Management has established an allowance for doubtful accounts based on historical collection amounts due to the long-term nature of these receivables, the net amount is offset by a Nonspendable amount in fund balance to reflect that these assets are not readily available.

<u>Governmental Activities:</u>	<u>Receivable</u>		
	<u>Note Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
Relending	\$ 86,881	\$ (8,681)	\$ 78,200
Total Receivables	\$ 86,881	\$ (8,681)	\$ 78,200

The annual requirements by participants of the Relending Fund Accounts Receivable at September 30, 2021 are as follows:

<u>During the year ended September 30,</u>	
2022	\$ 17,799
2023	18,710
2024	50,371
Total	86,881

Note 7. Disaggregation of Other Liabilities

At September 30, 2021, the City had the following other liabilities:

<u>Payable to</u>	<u>Governmental Activities</u>
Customer Deposits	\$ 20,000
Total other Liabilities	\$ 20,000

City of Palmview, Texas
Notes to the Basic Financial Statements

Note 8. Interfund Transactions

Interfund Balances reflect payments made by one fund on behalf of another fund for which cash settlement has not been made as of the end of the account period. As of September 30, 2021, interfund balances outstanding were as follows:

	Due From Other Funds	Due To Other Funds
General Fund:		
Care's Act Fund	\$ 702,318	\$ -
ARPA	230,882	-
Crime Control	36,964	
Debt Service	-	31,864
General Fund	97,820	97,820
Total General Fund	<u>1,067,984</u>	<u>129,684</u>
ARPA		
General Fund	-	230,881
Total ARPA	-	230,881
Care's Act Fund		
General Fund	-	702,318
Total Care's Act Fund	-	702,318
Debt Service		
General Fund	31,864	-
Total Crime Control	31,864	-
Crime Control		
General Fund	-	36,964
Total Crime Control	-	36,964
Total	<u>\$ 1,099,847</u>	<u>\$ 1,099,847</u>

The composition of interfund transfers as of September 30, 2021, is as follows:

	Transfer In:		Total
	General Fund	Department of Treasury	
Transfer Out:			
General Fund	\$ -	\$ 48,500	\$ 48,500
Department of Treasury			-
Crime Control	425,029		425,029
Total	<u>\$ 425,029</u>	<u>\$ 48,500</u>	<u>\$ 473,529</u>

City of Palmview, Texas
Notes to the Basic Financial Statements

Note 9. Capital Assets

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

	Balance October 1, 2020	Capital Acquisitions	Sales or Disposals	Reclassifications/ Adjustments	Balance September 30, 2021
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 916,696	\$ -	\$ (21,186)	\$ -	\$ 895,510
Construction in Progress	2,918,659	143,671	(3,452,020)	1,271,251	881,560
Total Capital assets, not being depreciated	<u>3,835,355</u>	<u>143,671</u>	<u>(3,473,206)</u>	<u>1,271,251</u>	<u>1,777,070</u>
Capital Asset being depreciated:					
Buildings	5,917,869	-	(14,131)	-	5,903,738
Furniture and Equipment	4,340,300	1,521,429	(286,575)	-	5,575,154
Infrastructure	568,781	-	-	3,452,020	4,020,801
Total capital assets, being depreciated	<u>10,826,950</u>	<u>1,521,429</u>	<u>(300,706)</u>	<u>3,452,020</u>	<u>15,499,693</u>
Less accumulated depreciation for:					
Buildings	(1,756,076)	(122,580)	2,355	-	(1,876,301)
Furniture and Equipment	(3,177,838)	(491,075)	286,575	-	(3,382,338)
Infrastructure	(366,547)	(248,031)	-	(128,472)	(743,050)
Total accumulated depreciation	<u>(5,300,461)</u>	<u>(861,686)</u>	<u>288,930</u>	<u>(128,472)</u>	<u>(6,001,689)</u>
Total capital assets being depreciated, net	<u>5,526,489</u>	<u>659,743</u>	<u>(11,776)</u>	<u>3,323,548</u>	<u>9,498,004</u>
Governmental activities capital assets, net	<u>9,361,844</u>	<u>803,414</u>	<u>(3,484,982)</u>	<u>4,594,799</u>	<u>11,275,075</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 185,572
Public Safety	399,696
Highway & Streets	270,914
Culture & Recreation	5,505
Total depreciation expense	<u>\$ 861,686</u>

Note 10. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been, received but not yet earned. At the end of the period of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

Note 10. Deferred Revenue - Continued

	<u>General Fund</u>	<u>ARPA</u>	<u>Urban County</u>	<u>Total</u>
Court Fines	2,027,573	-	-	2,027,573
EMS	268,239	-	-	268,239
Intergovernmental	-	484,477	637,681	1,122,157
Total deferred revenue	\$ 2,295,812	\$ 484,477	\$ 637,681	\$ 3,417,970

Note 11. Long-Term Debt

A. Primary Government

Bonds Payable

Limited Tax Refunding Bonds, Series 2019 payable to Branch Banking and Trust Company, originating on August, 2015, with interest rate of 3.35% with maturity date of August 1, 2028	\$1,260,000
2018 Property Tax Revenue Bond payable to BBVA Compass Bank, originating on March 6, 2018, with interest of 3.33% with a maturity date of February 1, 2028 or entire amount, including accrued interest.	\$1,960,000
Combination Tax and Revenue Certificates of Obligation, Series 2021, payable to TIB Bank N.A., originating on August 2021, with interest of 1.89% with maturity date of August 1, 2036.	\$1,750,000
General Obligation Refunding Bond, Taxable Series 2019A payable to Branch and Trust Company, originating on December 19, 2019, with Interest rate of 3.65% with maturity date of August 1, 2030.	\$ 628,000
Total bonds payable	5,598,000
Less: Current portion of bonds payable	455,000
Total notes payable, net of current portion	\$5,143,000

Bonds payable debt service requirements to maturity are as follows:

<u>Fiscal Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 455,000	\$ 158,446	\$ 613,446
2023	518,000	143,597	661,597
2024	646,000	126,169	772,169
2025	653,000	106,123	759,123
2026	666,000	85,836	751,836
All years thereafter	2,660,000	216,871	2,876,871
Total	5,598,000	837,040	6,435,040

Note 11. Long-Term Debt – Continued

Notes Payable

BB& Tax Note Series 2019A payable to Branch Banking and Trust Company, originating on December 19, 2019, with interest rate of 3.38% with maturity date of August 1, 2026	\$ 735,000
BB& Tax Note Series 2019 payable to Brach Banking and Trust Company, originating on August 15, 2019, with interest rate of 3.33% with maturity date of August 1, 2029.	1,190,000
Public Finance Act Contract 2021 (the “Contract”) payable to TIB Bank N.A., originating on August 5, 2021, with interest rate of 1.99% with a maturity date of August 1, 2036.	3,245,000
Total notes payable	5,170,000
Less: Current portion of notes payable	272,000
Total notes payable, net of current portion	<u>\$ 4,898,000</u>

Note Payable debt service requirements to maturity are as follows:

Fiscal Years Ending September 30,	Principal	Interest	Total
2022	\$ 272,000	\$ 128,328	\$ 400,328
2023	286,000	119,919	405,919
2024	307,000	110,392	417,392
2025	323,000	100,364	423,364
2026	567,000	89,866	656,866
All years thereafter	<u>3,415,000</u>	<u>362,542</u>	<u>3,777,542</u>
	5,170,000	911,411	6,081,411

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded as the present value of future minimum lease payments as of the date of the inception. The City accounts for amortization expense related to the capital leases as depreciation expense. The City also currently has purchase options for some of the equipment they are currently leasing. The following summarize the City’s debt relating to these assets:

Note 11. Long-Term Debt – Continued

3.28% Lease payable due in monthly installments of \$1,875.11 including interest, collateralized by (4) 2017 Chevrolet Silverado's.	7,450
2.81% Lease payable due in 9 yearly installments of \$56,696.20 including interest to Republic First National Bank, collateralized by a 2014 Toyne Spartan Aerial Fire Truck with equipment.	449,826
2.91% Lease payable due in 15 yearly installments of \$65,170.08 including interest to Republic First National Bank, collateralized by a Fire Truck.	782,930
3.65% Lease payable due in 5 yearly installments of \$9,937.88 including interest, collateralized by (18) sets of Turnout Gear.	44,675
Total capital lease obligation	1,284,882
Less: Current portion of capital lease obligation	<u>106,869</u>
Total capital lease obligation, net of current portion	\$ 1,178,013

The future lease obligations and the net present value of these minimum lease payments as of September 30, 2021, are as follows:

Fiscal Years Ending September 30,	Principal	Interest	Total
2022	\$ 106,869	\$ 32,437	\$ 139,306
2023	97,601	34,203	131,804
2024	100,465	31,339	131,804
2025	103,414	28,390	131,804
2026	106,450	25,354	131,804
All years thereafter	<u>770,083</u>	<u>108,402</u>	<u>878,486</u>
Total	1,284,882	260,126	1,545,007

Note 11. Long-Term Debt – Continued

B. Relending Program Long-Term Debt

Loan payable to Unites States Department of Agriculture, Rural Business Cooperative Service, for \$750,000, at 1%, with interest payments due on May 2007, and May 2008, thereafter requiring twenty-eight equal amortized annual installments of \$30,848 representing principal and interest.

Loan Payable to USDA Balance	\$	427,401
Less: Current portion of notes payable		<u>26,574</u>
Total notes payable, net of current portion	\$	400,827

The annual requirements to retire the Relending notes payable including interest are as follows:

Fiscal Years Ending September 30,	Principal	Interest	Total
2022	\$ 26,574	\$ 4,274	\$ 30,848
2023	26,840	4,008	30,848
2024	27,108	3,740	30,848
2025	27,379	3,469	30,848
2026	27,653	3,195	30,848
All years thereafter	<u>291,847</u>	<u>16,275</u>	<u>308,123</u>
Total	427,401	34,961	462,363

C. Component Unit

Bonds Payable

2015 Sales Tax Revenue Bond payable to Frost Bank, originating on October 6, 2015, with interest at 3.87% with a maturity date of August 15, 2025 for entire amount including accrued interest.	\$ 225,000
2017 Sales Tax Revenue Bond payable to Frost Bank, originating on May 10, 2017, with interest at 3.79% with a maturity date of August 15, 2032 for the entire amount including accrued interest.	1,570,000
Sales Tax Revenue Bond Series 2020 payable to Frost Bank, originating on August 6, 2020, with an interest rate of 4.56% with a maturity date of August 15, 2035 for the entire amount including accrued interest.	<u>1,830,000</u>
Total notes payable	3,625,000
Less: Current portion of notes payable	<u>200,000</u>
Total notes payable, net of current portion.	\$ 3,425,000

Note 11. Long-Term Debt – Continued

Component Unit bonds payable debt service requirements to maturity are as follows:

Fiscal Years Ending September 30,	Principal	Interest	Total
2022	\$ 200,000	\$ 151,690	\$ 351,690
2023	205,000	143,494	348,494
2024	215,000	135,709	350,709
2025	220,000	127,206	347,206
2026	230,000	118,548	348,548
All years thereafter	2,555,000	588,038	3,143,038
Total	3,625,000	1,264,685	4,889,685

Notes Payable

Palmview Municipal Development District Relending Note originating November 1, 2018, with interest 1% with a maturity date of November 1, 2028 for the entire amount including accrued interest was fully paid off as of September 30, 2021.

Project XG originating on October 1, 2018 with interest at 8% with interest at 8% with a maturity date of October 1, 2033 for the entire amount including accrued interest was fully paid off as of September 30, 2021.

Changes in Long-Term Liability

	2020	Additions	Reductions	Ending Balance	Amount Due within One Year
Governmental activities:					
Bonds Payable	\$ 4,288,000	\$ 1,750,000	\$ (440,000)	\$ 5,598,000	\$ 455,000
Notes Payable	1,985,000	3,245,000	(60,000)	5,170,000	272,000
Capital Leases	517,688	1,277,431	(510,237)	1,284,882	106,869
Relending Program Notes Payable	453,713	-	(26,312)	427,401	26,574
Compensated Absences	332,957	88,481	-	421,438	-
Net Pension Liability	230,976	-	(23,931)	207,045	-
Total governmental activities	7,808,334	6,360,912	(1,060,480)	13,108,766	860,443
Component Unit					
PMDD					
Bonds Payable	3,795,000	-	(170,000)	3,625,000	200,000
Notes Payable	1,285,796	-	(1,285,796)	-	-
Total Component Unit	5,080,796	-	(1,455,796)	3,625,000	200,000
Total Long-term Debt	\$ 12,889,130	\$ 6,360,912	\$ (2,516,276)	\$ 16,733,766	\$ 1,060,443

Note 12. Operating Leases

The City rents three Saving Copiers/Fax/Scanners/ Printer Systems under a monthly operating lease. The lease is a 480-month lease with monthly payments of \$695. The City also rents equipment on an as-needed basis throughout the year.

Note 13. Defined Benefit Pension Plans

Plan Description

The City of Palmview participates as 1 of the 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (ACFR) that can be obtained at www.tmr.com

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

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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Note 13. Defined Benefit Pension Plans - Continued

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	50
Active employees	68
	123

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.3% and 2.0% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$62,154, and were equal to the required contributions.

Net Pension Liability/(Asset)

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

Actuarial Assumptions

The Total Pension Liability/(Asset) 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, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2020 Municipal Retirees of Texas mortality tables. The rates for actives,

Note 13. Defined Benefit Pension Plans

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 is used with a four-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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). The target allocation and best estimates of arithmetic real rates of return for each major assets 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	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
	<u>100.0%</u>	

Note 13. Defined Benefit Pension Plans – Continued

Discount Rate

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

	Pension Liability (Asset) (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
Balance at December 31, 2019	\$ 2,003,061	\$ 1,772,085	\$ 230,976
Changes for the year:			
Service Cost	195,252	-	195,252
Interest	138,925	-	138,925
Change of benefit terms	-	-	-
Difference between expected and actual experience	(2,087)	-	(2,087)
Changes of assumptions	-	-	-
Contributions - employer	-	62,154	(62,154)
Contributions - employee	-	160,043	(160,043)
Net investment income	-	134,729	(134,729)
Benefit payments, including refunds of employee contributions	(85,068)	(85,068)	-
Administrative expense	-	(870)	870
Other Changes	-	(34)	34
Net Changes	247,022	270,954	(23,932)
Balance at December 31, 2021	\$ 2,250,083	\$ 2,043,039	\$ 207,044

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 673,845	\$ 207,045	\$(157,441)

Note 13. Defined Benefit Pension Plans – Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the internet at www.tmr.org.

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

At September 30, 2021, the City recognized pension expense of \$21,398.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 12,090
Changes in actuarial assumptions	(12,107)	1,753
Difference between projected and actual investment earnings		
Contributions subsequent to the measurement date	<u>43,870</u>	
Total	<u>\$ 31,763</u>	<u>\$ 13,843</u>

\$43,870 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/(asset) for the measurement year ending December 30, 2020 (i.e. recognized in the City’s financial statements for the year ended September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (33,989)
2022	(18,137)
2023	(47,092)
2024	(15,577)
2025	(7,734)
Thereafter	<u>(175)</u>
Total	\$ (122,704)

Note 14. Other Postemployment Benefits

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employee. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is an “other post-employment benefit,” or OPEB.

Membership in the plan at December 31, 2020, the date of the latest actuarial valuation, consists of the following:

Inactive employees currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>68</u>
Total	<u>81</u>

Valuation of Assets

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	3.50% to 11.50% including Inflation
Discount Rate	2.00%

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender- distinct 2020 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 is used with a four-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females

Note 14. Other Postemployment Benefits - Continued

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.

Discount Rate

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.

	OPEB Liability
Balance at December 31, 2019	\$ 69,612
Changes for the year:	
Service Cost	7,042
Interest	2,007
Change in benefit terms	-
Difference between expected and actual experience	(9,413)
Changes in assumptions	16,401
Benefit payments, including refunds of employee contributions	(320)
Net Changes	15,717
Balance at December 31, 2020	\$ 85,329

The following presents the OPEB liability of the City, calculated using the discount rate of 2.00% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.00%) or one-percentage-higher (3.00%) than the current rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$114,901	\$85,329	\$64,451

Note 14. Other Postemployment Benefits - Continued

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 \$12,038.

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
Differences between expected and actual experience	\$ (5,835)	\$ (8,391)
Changes in assumptions and other inputs	27,484	14,620
Contributions made subsequent to measurement date	-	1,126
Total	<u>\$ 21,649</u>	<u>\$ 7,355</u>

\$1,126 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 OPEB liability for the measurement year ending December 30, 2020 (i.e. recognized in the City's financial statements for the year ended September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2021	\$ 2,989
2022	2,989
2023	2,989
2024	2,989
2025	2,989
Thereafter	6,704
Total	<u>\$ 21,649</u>

Note 15. Risk Management

The maintains insurance for all business and government functions for which it may be liable for claims. The more significant of these include general liability insurance in an aggregate amount of \$2,000,000 law enforcement liability insurance in an aggregate amount of \$1,000,000 and errors and omissions liability in an aggregate amount of \$1,000,000. Employees were covered by a health insurance plan. There have been no significant reductions in insurance coverage.

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Note 16. Commitments and Contingencies

Litigation

The City is the defendant in several lawsuits. It is the opinion of management and the outside attorney that the outcome of the lawsuit will not be significant to the City.

Federally Assisted Grant Programs

The City participates in several Federal and State assisted grant programs. Although the City grant programs were not subject to the provisions of the Single Audit Act, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Note 17. Prior Period Adjustments

Prior Period Adjustments – Fund Level

General Fund

To separate Crime Control District from the General Fund	\$ (269,868)
To correct beginning balance of the fund	\$ (148,055)

Crime and Control District

To identify Crime Control District as separate Fund	\$ 269,868
---	------------

Federal Forfeiture Fund

To correct beginning balance of the Fund	\$ (64,784)
--	-------------

State Forfeiture Fund

To correct beginning balance of the Fund	\$ 27,821
--	-----------

Total Fund Level Adjustments **\$ (185,018)**

Prior Period Adjustments – Government Wide

To correct fixed assets from previous year and debt service amounts	\$1,227,544
---	-------------

Total Government Wide Adjustments **\$1,227,544**

Note 18. Subsequent Event

Management has evaluated subsequent events through December 15, 2022, the date the financial statements were available to be issued.

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CITY OF PALMVIEW
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 2,030,758	\$ 2,030,758	\$ 2,109,974	\$ 79,216
5120	General Sales and Use Taxes	1,200,000	1,615,763	1,766,985	151,222
5150	Gross Receipts Business Tax	19,100	14,100	13,267	(833)
5170	Franchise Tax	395,969	432,446	413,198	(19,248)
5190	Penalty and Interest on Taxes	90,000	90,000	70,191	(19,809)
5200	Licenses and Permits	362,500	219,130	258,622	39,492
5300	Intergovernmental Revenue and Grants	599,263	1,299,718	771,000	(528,718)
5400	Charges for Services	1,399,194	1,342,500	1,195,840	(146,660)
5510	Fines	588,000	548,680	525,361	(23,319)
5550	Special Assessments	-	33,514	50,242	16,728
5610	Investment Earnings	35	35	29	(6)
5620	Rents and Royalties	144,000	144,000	144,000	-
5700	Other Revenue	211,012	96,903	99,824	2,921
5020	Total Revenues	7,039,831	7,867,547	7,418,533	(449,014)
EXPENDITURES:					
Current:					
0100	General Government	2,939,946	3,033,511	3,025,209	8,302
0200	Public Safety	2,969,438	3,385,130	3,045,152	339,978
0310	Highways and Streets	750,987	950,654	863,635	87,019
0500	Culture and Recreation	258,763	240,502	189,420	51,082
Debt Service:					
0700	Debt Service	-	148,165	143,944	4,221
0710	Principal on Debt	40,465	63,465	60,619	2,846
0720	Interest on Debt	18,232	18,232	9,715	8,517
Capital Outlay:					
0800	Capital Outlay	62,000	617,308	1,232,815	(615,507)
6030	Total Expenditures	7,039,831	8,456,967	8,570,509	(113,542)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(589,420)	(1,151,976)	(562,556)
OTHER FINANCING SOURCES (USES):					
7911	Issuance of Bonds	-	4,995,000	4,995,000	-
7912	Sale of Real and Personal Property	-	-	48,500	48,500
7913	Proceeds from Capital Leases	-	-	827,605	827,605
7915	Transfers In	-	76,898	425,029	348,131
8911	Transfers Out	-	-	(48,500)	(48,500)
7080	Total Other Financing Sources (Uses)	-	5,071,898	6,247,634	1,175,736
1200	Net Change in Fund Balances	-	4,482,478	5,095,658	613,180
0100	Fund Balance - October 1 (Beginning)	1,683,465	1,683,465	1,683,465	-
1300	Prior Period Adjustment	-	-	(417,923)	(417,923)
3000	Fund Balance - September 30 (Ending)	\$ 1,683,465	\$ 6,165,943	\$ 6,361,200	\$ 195,257

CITY OF PALMVIEW
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
A. Total Pension Liability			
Service Cost	\$ 195,252	\$ 187,615	\$ 157,478
Interest (on the Total Pension Liability)	138,925	127,846	110,968
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(2,087)	(53,304)	60,838
Changes of Assumptions	-	(12,707)	-
Benefit Payments, Including Refunds of Employee Contributions	(85,068)	(93,189)	(95,424)
Net Change in Total Pension Liability	\$ 247,022	\$ 156,261	\$ 233,860
Total Pension Liability - Beginning	2,003,061	1,846,800	1,612,940
Total Pension Liability - Ending	\$ 2,250,083	\$ 2,003,061	\$ 1,846,800
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 62,154	\$ 57,805	\$ 55,993
Contributions - Employee	160,043	152,285	127,204
Net Investment Income	134,729	222,005	(41,719)
Benefit Payments, Including Refunds of Employee Contributions	(85,068)	(93,189)	(95,424)
Administrative Expense	(870)	(1,253)	(804)
Other	(34)	(38)	(42)
Net Change in Plan Fiduciary Net Position	\$ 270,954	\$ 337,615	\$ 45,208
Plan Fiduciary Net Position - Beginning	2,043,038	1,434,460	1,389,252
Plan Fiduciary Net Position - Ending	\$ 2,313,992	\$ 1,772,075	\$ 1,434,460
C. Net Pension Liability (Asset)	\$ (63,909)	\$ 230,986	\$ 412,340
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.84%	88.47%	77.67%
E. Covered Payroll	\$ 3,200,855	\$ 3,045,691	\$ 2,544,077
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(2.00%)	7.58%	16.21%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
\$	145,082	\$ 131,327	\$ 106,919
	106,821	93,372	93,195
	-	-	-
	(138,876)	(5,771)	(36,723)
	-	-	65,694
	(20,154)	(32,982)	(40,011)
\$	92,873	\$ 185,946	\$ -
	1,520,067	1,334,121	1,155,047
\$	1,612,940	\$ 1,520,067	\$ 1,155,047
\$	54,391	\$ 43,741	\$ 38,266
	119,508	108,714	93,789
	150,746	61,302	1,200
	(20,154)	(32,982)	(40,011)
	(780)	(691)	(731)
	(40)	(37)	(37)
\$	303,671	\$ 180,047	\$ 92,476
	1,085,581	905,534	813,058
\$	1,389,252	\$ 1,085,581	\$ 905,534
\$	223,688	\$ 434,486	\$ 428,587
	86.13%	71.42%	67.87%
\$	2,390,153	\$ 2,174,287	\$ 1,875,771
	9.36%	19.98%	22.85%

CITY OF PALMVIEW
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2021

	2021	2020	2019
Actuarially Determined Contribution	\$ 62,154	\$ 57,815	\$ 55,993
Contributions in Relation to the Actuarially Determined Contributions	62,154	57,815	55,993
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,200,855	\$ 3,045,691	\$ 2,544,077
Contributions as a Percentage of Covered Payroll	1.94%	1.90%	2.20%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	2018	2017	2016	2015
\$	54,391	\$ 43,741	\$ 41,455	\$ 33,664
	54,391	43,741	41,455	33,664
\$	-	\$ -	\$ -	\$ -
\$	2,390,153	\$ 2,174,287	\$ 1,875,771	\$ 1,618,090
	2.27%	2.01%	2.21%	2.08%

CITY OF PALMVIEW
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

Data Control Codes	105 Palmview Relending Program	506 Federal Forfeiture Fund	507 State Forfeiture Fund	508 Department of Treasury	
ASSETS					
1010	Cash and Cash Equivalents	\$ 520,451	\$ 110,768	\$ 3,596	\$ 146,954
1050	Taxes Receivable	-	-	-	-
1051	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1150	Accounts Receivable, Net	78,200	-	-	8,976
1300	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 598,651</u>	<u>\$ 110,768</u>	<u>\$ 3,596</u>	<u>\$ 155,930</u>
LIABILITIES					
2080	Due to Other Funds	\$ -	\$ -	\$ -	\$ -
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
3590	Assigned Fund Balance	598,651	110,768	3,596	155,930
3000	Total Fund Balances	<u>598,651</u>	<u>110,768</u>	<u>3,596</u>	<u>155,930</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 598,651</u>	<u>\$ 110,768</u>	<u>\$ 3,596</u>	<u>\$ 155,930</u>

907 Crime and Control District	Total Nonmajor Special Revenue Funds	305 Debt Service	Total Nonmajor Governmental Funds
\$ 36,964	\$ 818,733	\$ 23,376	\$ 842,109
-	-	119,964	119,964
-	-	(23,993)	(23,993)
-	87,176	-	87,176
-	-	31,864	31,864
<u>\$ 36,964</u>	<u>\$ 905,909</u>	<u>\$ 151,211</u>	<u>\$ 1,057,120</u>
<u>\$ 36,964</u>	<u>\$ 36,964</u>	<u>\$ -</u>	<u>\$ 36,964</u>
<u>36,964</u>	<u>36,964</u>	<u>-</u>	<u>36,964</u>
<u>-</u>	<u>-</u>	<u>95,971</u>	<u>95,971</u>
<u>-</u>	<u>-</u>	<u>95,971</u>	<u>95,971</u>
<u>-</u>	<u>868,945</u>	<u>55,240</u>	<u>924,185</u>
<u>-</u>	<u>868,945</u>	<u>55,240</u>	<u>924,185</u>
<u>\$ 36,964</u>	<u>\$ 905,909</u>	<u>\$ 151,211</u>	<u>\$ 1,057,120</u>

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

Data Control Codes	105 Palmview Relending Program	506 Federal Forfeiture Fund	507 State Forfeiture Fund	508 Department of Treasury
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5120 General Sales and Use Taxes	-	-	-	-
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	39,882	-	117,148
5400 Charges for Services	-	-	-	-
5610 Investment Earnings	3,280	-	-	-
5700 Other Revenue	<u>1,411</u>	<u>-</u>	<u>16</u>	<u>172,083</u>
5020 Total Revenues	<u>4,691</u>	<u>39,882</u>	<u>16</u>	<u>289,231</u>
EXPENDITURES:				
Current:				
0100 General Government	2,056	198,982	23,061	51
0200 Public Safety	-	-	-	-
Debt Service:				
0700 Debt Service	-	-	-	-
0710 Principal on Debt	26,311	-	-	-
0720 Interest on Debt	1,541	-	-	-
Capital Outlay:				
0800 Capital Outlay	-	84,669	-	181,750
6030 Total Expenditures	<u>29,908</u>	<u>283,651</u>	<u>23,061</u>	<u>181,801</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,217)</u>	<u>(243,769)</u>	<u>(23,045)</u>	<u>107,430</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	48,500
8911 Transfers Out	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,500</u>
1200 Net Change in Fund Balance	(25,217)	(243,769)	(23,045)	155,930
0100 Fund Balance - October 1 (Beginning)	623,868	419,321	(1,180)	-
1300 Prior Period Adjustment	<u>-</u>	<u>(64,784)</u>	<u>27,821</u>	<u>-</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 598,651</u>	<u>\$ 110,768</u>	<u>\$ 3,596</u>	<u>\$ 155,930</u>

907 Crime and Control District	Total Nonmajor Special Revenue Funds	305 Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 692,539	\$ 692,539
403,293	403,293	-	403,293
-	-	18,420	18,420
-	157,030	-	157,030
-	-	21,399	21,399
-	3,280	317	3,597
-	173,510	-	173,510
<u>403,293</u>	<u>737,113</u>	<u>732,675</u>	<u>1,469,788</u>
-	224,150	-	224,150
248,132	248,132	-	248,132
-	-	4,596	4,596
-	26,311	500,000	526,311
-	1,541	206,697	208,238
-	266,419	-	266,419
<u>248,132</u>	<u>766,553</u>	<u>711,293</u>	<u>1,477,846</u>
<u>155,161</u>	<u>(29,440)</u>	<u>21,382</u>	<u>(8,058)</u>
-	48,500	-	48,500
<u>(425,029)</u>	<u>(425,029)</u>	<u>-</u>	<u>(425,029)</u>
<u>(425,029)</u>	<u>(376,529)</u>	<u>-</u>	<u>(376,529)</u>
(269,868)	(405,969)	21,382	(384,587)
-	1,042,009	33,858	1,075,867
269,868	232,905	-	232,905
<u>\$ -</u>	<u>\$ 868,945</u>	<u>\$ 55,240</u>	<u>\$ 924,185</u>

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ADRIAN WEBB, CPA

Certified Public Accountant

McAllen, Texas

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

Independent Auditor's Report

To the City Commission of
City of Palmview, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Palmview as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Palmview's basic financial statements, and have issued our report thereon dated December 15, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item #2021-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

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

City of Palmview's Response to Findings

City of Palmview's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Palmview's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Adrian Webb, CPA

ADRIAN WEBB, CPA
Certified Public Accountant

McAllen, Texas

December 15, 2022

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ADRIAN WEBB, CPA

Certified Public Accountant

McAllen, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City of Palmview
City of Palmview, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Palmview, Texas compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Palmview, Texas major federal programs for the year ended September 30, 2021. City of Palmview, Texas major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Palmview, Texas major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Palmview, Texas compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Palmview, Texas compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Palmview, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

City of Palmview, Texas response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Palmview, Texas response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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Report on Internal Control over Compliance

Management of the City of Palmview, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Palmview, Texas internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Palmview, Texas internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Adrian Webb, CPA
ADRIAN WEBB, CPA
McAllen, Texas

December 15, 2022

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CITY OF PALMVIEW, TEXAS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. Summary of the Auditor's Results:

Financial Section:

- | | |
|--|------------|
| A. The type of report issued:
opinion | Unmodified |
| B. Internal control over financial statements: | |
| Material Weakness(es) identified? | No |
| Significant Deficiency(ies) identified which
were not considered material weaknesses? | Yes |
| C. Noncompliance material to the financial statements noted? | No |

Federal Awards Section:

- | | |
|--|------------|
| D. The type of report issued:
opinion | Unmodified |
| E. Internal control over Major Programs: | |
| Material Weakness(es) identified? | No |
| Significant Deficiency(ies) identified which
were not considered material weaknesses? | No |
| F. Any audit findings disclosed that are required to be reported in
accordance with the Uniform Guidance? | No |
| G. Identification of major programs:
CFDA 21.019 CARES & CORONA Recovery Fund | |
| H. Dollar threshold to distinguish between type A and type B programs: | \$750,000 |

CITY OF PALMVIEW, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

2021-01 Year-End Closing of the Financial Statements

Criteria: Controls relative to timely and proper close-out of financial statements at year-end should be in place, in order to provide management and other third-party stakeholders with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state, and local reporting deadlines.

Condition: A significant amount of time lapsed after year-end, before the financial statements were properly closed out and made available for review.

Cause: The delay was caused by the COVID-19 pandemic and its effect on all entities preparing the audit.

Effect: The audit was not completed within the required federal, state, and local reporting deadlines.

Recommendation: The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements in accordance with GAAP are prepared and available for management use, as well as for audit purposes. As of December 15, 2022, the City has a qualified 3rd party consultant that has implemented policies and corrections to controls that will facilitate future audits.

Auditee's Response: Refer to corrective action plan.

III. Findings Relating to Federal Awards and Questions Costs.

None

CITY OF PALMVIEW, TEXAS
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2020-01 Year-End Closing of the Financial Statements

Criteria: Controls relative to timely and proper close-out of financial statements at year-end should be in place, in order to provide management and other third-party stakeholders with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state, and local reporting deadlines.

Condition: A significant amount of time lapsed after year-end, before the financial statements were properly closed out and made available for review.

Status: Refer to corrective action plan.

2020-02 Expenditures over Appropriations

Criteria: Texas Local Governmental Code, Title 4, Subtitle A., Chapter 102 Municipal Budget establishes the law governing the annual General Fund budget requirements for the City.

Condition: The City's General Fund had excess expenditures over appropriations.

Status: Corrected

CITY OF PALMVIEW, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2021-01 Year-End Closing of the Financial Statements

The City agrees with the finding. The finance department has begun implementing internal controls relating to financial statement accounting and reporting to ensure that timely and reliable financial statements in accordance with GAAP are prepared and available for management use, as well as, for audit purposes. The reports will be printed and filed for review in the finance department.

Contact Information:

Michael Leo, City Manager

Implementation Date:

March 31, 2023

CITY OF PALMVIEW
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Contract/Pass-Through Entity Identity Number	Grant/Loan Expenditures	Expenditures to Subrecipients
Federal Awards				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-21-MC-55-0311	\$ 24,873	-
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>24,873</u>	-
U.S. DEPARTMENT OF THE TREASURY				
PASSED THROUGH HIDALGO COUNTY, TEXAS				
CORONA RECOVERY FUND	21.019	PAL	230,881	-
CARES ACT	21.019	PAL	382,275	-
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>613,156</u>	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
PASSED THROUGH TEXAS HOMELAND SECURITY OFFICE				
STATE HOMELAND SECURITY PROGRAM - OPERATION STONEGARDEN	97.067	3173206	153,785	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>153,785</u>	-
U.S. DEPARTMENT OF JUSTICE				
PASSED THROUGH OFFICE OF THE GOVERNOR - CJD				
CRIME VICTIMS LIAISON GRANT	16.575	2098473	36,287	-
CV-CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	4132201	28,415	-
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>64,702</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 856,516</u></u>	<u>-</u>

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CITY OF PALMVIEW, TEXAS
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021

The City uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes. Federal and state financial assistance generally is accounted for in a Special Revenue Fund because it is restricted for specific purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus called the modified accrual basis of accounting. Nearly all Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

Usually, Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When Federal grant funds are received before related expenditures are made, they are recorded as deferred revenues.

- The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Palmview, Texas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.
- The City has elected not to use the 10% de minimis indirect cost rate. No grants received by the City for the year ended September 30, 2021, provided for reimbursement of indirect costs.