
CITY OF PALMVIEW, TEXAS

AUDITED ANNUAL FINANCIAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 2022

ADRIAN WEBB

CERTIFIED PUBLIC ACCOUNTANT

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CITY OF PALMVIEW, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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INDEPENDENT AUDITORS' REPORT

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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

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Palmview, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Palmview, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Palmview, Texas, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Palmview, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Palmview, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Palmview, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Palmview, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

Supplementary 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, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information Included in the Annual Report and Financial Statements

Management is responsible for the other information included in the Annual Audit Report and Financial Statements. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the City of Palmview, Texas' 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 of Palmview, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Palmview, Texas' internal control over financial reporting and compliance.

Adrian Webb, CPA

Adrian Webb
Certified Public Accountant

McAllen, Texas

March 28, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**

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, 2022. 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, 2022, by \$9,110,899 (net position). Of this amount, \$3,582,283 (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 \$895,818 over fiscal year 2021-2022 operations.
- As of the close of the current fiscal year, the City of Palmview's governmental funds reported combined ending fund balances of \$6,880,784.
- As of September 30, 2022, fund balance for the General Fund was \$5,805,746 or 65.87% 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 and charges. The governmental activities of the City include General Government, Public Safety, Public Works, and Cultural and Recreation.

**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**

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, 2022**

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 \$9,110,899 as of September 30, 2022.

The largest portion of the City's net position \$290,972 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
	2022	2021	2022	2021	(Decrease)
Current Assets	\$ 11,460,798	\$ 11,554,701	\$ 11,460,798	\$ 11,554,701	\$ (93,903)
Capital Assets, Net	11,955,245	11,275,075	11,955,245	11,275,075	680,170
Total Assets	\$ 23,416,043	\$ 22,829,776	\$ 23,416,043	\$ 22,829,776	\$ 586,267
Deferred Outflows of Resources	120,202	-	120,202	-	120,202
Current Liabilities	3,315,167	2,352,707	3,315,167	2,352,707	962,460
Non-Current Liabilities	10,857,726	12,248,145	10,857,726	12,248,145	(1,390,419)
Total Liabilities	14,172,893	14,600,852	14,172,893	14,600,852	(427,959)
Deferred Inflows of Resources	252,452	13,843	252,452	13,843	238,609
Net Position					
Net Invested in Capital Assets	\$ 290,972	\$ (1,538,344)	\$ 290,972	\$ (1,538,344)	\$ 1,829,316
Restricted	5,237,644	5,569,816	5,237,644	5,569,816	(332,172)
Unrestricted	3,582,283	4,183,609	3,582,283	4,183,609	(601,326)
Total Net Position	\$ 9,110,899	\$ 8,215,081	\$ 9,110,899	\$ 8,215,081	\$ 895,818

The City's net position of \$9,110,899 net of investments has an unrestricted balance of \$3,582,283 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, 2022**

Analysis of the City's Operations – The following Table Provides a summary of the City's operations for the year ended September 30, 2022. Governmental Activities increased the City of Palmview's net position by \$895,818.

	City of Palview's Changes in Net Position				Increase (Decrease)
	Governmental		Totals		
	2022	2021	2022	2021	
Revenues					
Program Revenues					
Charges for Services	\$ 1,462,077	\$ 2,001,223	\$ 1,462,077	\$ 2,001,223	\$ (539,146)
Operating Grants and Contributions	1,592,585	1,566,059	1,592,585	1,566,059	26,526
General Revenues					
Property Taxes, Levied for general purposes	3,040,642	2,788,816	3,040,642	2,788,816	251,826
Sales Taxes	2,241,913	2,170,278	2,241,913	2,170,278	71,635
Franchise Taxes	498,775	426,465	498,775	426,465	72,310
Miscellaneous	1,370,278	543,190	1,370,278	543,190	827,088
Interest Revenue	120,223	88,611	120,223	88,611	31,612
Total Revenues	<u>10,326,493</u>	<u>9,584,642</u>	<u>10,326,493</u>	<u>9,584,642</u>	<u>741,851</u>
Expenses					
General Government	3,519,381	3,817,632	3,519,381	3,817,632	(298,251)
Public Safety	3,872,948	3,781,281	3,872,948	3,781,281	91,667
Public Works	7,029	270,914	7,029	270,914	(263,885)
Highways and Streets	1,334,239	863,635	1,334,239	863,635	470,604
Culture and Recreational	316,399	194,924	316,399	194,924	121,475
Debt Service	313,931	366,493	313,931	366,493	(52,562)
Total Expenses	<u>\$ 9,363,927</u>	<u>\$ 9,294,879</u>	<u>\$ 9,363,927</u>	<u>\$ 9,294,879</u>	<u>\$ 69,048</u>
Change in Net Position	962,566	289,763	962,566	289,763	672,803
Net Position Beginning	8,215,081	6,697,774	8,215,081	8,215,081	-
Prior Period Adjustment	(66,748)	1,227,544	(66,748)	1,227,544	(1,294,292)
Net Position Ending	<u>\$ 9,110,899</u>	<u>\$ 8,215,081</u>	<u>\$ 9,110,899</u>	<u>\$ 8,215,081</u>	<u>\$ 895,818</u>

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, 2022**

Capital Assets

The City of Palmview's investments in capital assets for its governmental activities as of September 30, 2022, amounts to \$11,955,244, 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		
	2022	2021	
Capital Assets			
Land	895,510	\$ 895,510	\$ -
Construction in Progress	1,863,624	881,560	982,064
Buildings	5,963,238	5,903,738	59,500
Furniture and Equipment	6,001,486	5,575,154	426,332
Infrastructure/Streets	4,137,418	4,020,801	116,617
	18,861,276	\$ - \$ 17,276,763	\$ 1,584,513
Less: Accumulated Depreciation	(6,906,032)	(6,001,689)	(904,343)
Total Capital Assets (Net)	11,955,244	\$ 11,275,074	\$ 680,170

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 \$10,441,827. Of this amount, \$ represents bonded debt backed by the full faith and credit of the government, and \$1,178,013 represents debt from capital leases.

	Governmental		Increase (Decrease)
	2022	2021	
Long-Term Obligations			
Bonds payable	\$ 5,143,000	\$ 5,598,000	\$ (455,000)
Notes payable	5,298,827	5,597,401	(298,574)
Capital leases.	1,178,013	1,284,882	(106,869)
	\$ 11,619,840	\$ 12,480,283	\$ (860,443)

**CITY OF PALMVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**

Economic Factors and Next Year's Budgets and Rates

- The City of Palmview adopted a new tax rate of .4904/\$100 valuation, a \$.0004 increase from the fiscal year 2022 tax rate of 2.50 per \$100 valuation. This rate increase serves to provide property owners higher appraisal values, while also providing the revenue necessary to fund programs and services.
- The 2023 General Fund operating budget was prepared estimating a balance budget for September 30, 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

FINANCIAL STATEMENTS

CITY OF PALMVIEW
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1 (Cont'd)

Data Control Codes	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	MDD
ASSETS		
1010 Cash and Cash Equivalents	\$ 7,381,399	\$ 461,488
1050 Taxes Receivable, Net	465,832	-
1150 Accounts Receivable, Net	482,723	125,630
1210 Special Assessments Receivable, Net	2,027,573	-
1260 Due from Other Governments	1,103,270	-
Capital Assets:		
1710 Land Purchase and Improvements	-	3,790,037
1791 Capital Assets, Not Being Depreciated	2,759,134	-
1792 Capital Assets, Net of Depreciation	9,196,111	-
1990 Other Assets	-	43,144
1000 Total Assets	<u>23,416,042</u>	<u>4,420,298</u>
DEFERRED OUTFLOWS OF RESOURCES		
1997 Deferred Outflow Related to Pension Plan	82,267	-
1998 Deferred Outflow Related to OPEB	37,935	-
1500 Total Deferred Outflows of Resources	<u>120,202</u>	<u>-</u>

CITY OF PALMVIEW
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

Data	Primary Government	Component Unit	
Control Codes	Governmental Activities	MDD	
LIABILITIES			
2010	Accounts Payable	504,970	28,913
2020	Wages and Salaries Payable	176,624	-
2030	Compensated Absences Payable	473,966	-
2140	Accrued Interest Payable	44,433	-
2230	Unearned Revenues	1,166,733	-
2240	Notes Payable - Current	312,840	-
2250	Bonds Payable - Current	518,000	205,000
2260	Right-to-Use Leases Payable - Current	97,601	-
2270	Other Current Liabilities	20,000	-
	Noncurrent Liabilities:		
	Due in More Than One Year:		
2502	Bonds Payable - Noncurrent	10,691,399	3,220,000
2580	Net Pension Liability	68,562	-
2585	Net OPEB Liability	97,765	-
2000	Total Liabilities	14,172,893	3,453,913
DEFERRED INFLOWS OF RESOURCES			
2602	Deferred Inflow Related to Pension Plan	237,557	-
2603	Deferred Inflow Related to OPEB	14,895	-
2500	Total Deferred Inflows of Resources	252,452	-
NET POSITION			
3200	Net Investment in Capital Assets & Lease Assets	290,972	365,037
	Due in More Than One Year:		
3820	Restricted for Special Purposes	952,510	-
3850	Restricted for Capital Acquisition	4,162,606	-
3860	Restricted for Debt Service	122,528	-
3900	Unrestricted	3,582,283	601,348
3000	Total Net Position	\$ 9,110,899	\$ 966,385

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, 2022

EXHIBITB-1

Data
Control
Codes

Net (Expense) Revenue and Changes in Net Position						
				Primary	Government	Component Unit
		Expenses	Charges of Services	Operating Grants and Contributions	Governmental Activities	Palmview MDD
Primary Government:						
GOVERNMENTAL ACTIVITIES:						
100	General Government	\$ 3,519,381	\$ 1,067,316	\$ 1,170,067	\$ (1,281,998)	-
200	Public Safety	3,872,948	394,761	357,518	\$ (3,120,669)	-
300	Public Works	7,029	-	-	\$ (7,029)	-
310	Highways and Streets	1,334,239	-	-	\$ (1,334,239)	-
500	Culture and Recreation	316,399	-	65,000	\$ (251,399)	-
720	Interest on Debt	313,931	-	-	\$ (313,931)	-
TOTAL PRIMARY GOVERNMENT		\$ 9,363,927	\$ 1,462,077	\$ 1,592,585	\$ (6,309,265)	-
Component Unit:						
991	Palmview MDD	\$ 296,621	-	-	-	\$ 296,621
TOTAL COMPONENT UNIT:		\$ 296,621	-	-	-	\$ 296,621
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes				\$ 2,098,401		\$ -
Property Taxes, Levied for Debt Service					942,241	-
General Sales and Use Taxes					2,241,913	737,648
Franchise Tax					498,775	-
Other Taxes					6,467	-
Penalty and Interest on Taxes					120,223	-
Miscellaneous Revenue					1,213,402	-
Investment Earnings					409	-
Transfers In (Out)					150,000	(150,000)
Total General Revenues and Transfers				\$ 7,271,831		\$ 587,648
Change in Net Position					962,566	291,027
Net Position - Beginning					\$ 8,215,081	\$ 565,390
Prior Period Adjustment					(66,748)	109,968
Net Position - Ending					\$ 9,110,899	\$ 966,385

The notes are an integral part of these financial statements

CITY OF PALMVIEW
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

Data Control Codes	General Fund	ARPA FUND	Other Funds	Total Governmental Funds
ASSETS				
1010 Cash and Cash Equivalents	\$ 5,987,524	\$ 520,642	\$ 873,233	\$ 7,381,399
1050 Taxes Receivable	463,669	-	119,121	582,790
1051 Allowance for Uncollectible Taxes (credit)	(90,024)	-	(26,934)	(116,958)
1150 Accounts Receivable, Net	401,311	-	81,412	482,723
1210 Special Assessments Receivable, Net	4,429,217	-	-	4,429,217
1260 Due from Other Governments	413,014	-	690,257	1,103,271
1300 Due from Other Funds	182,514	-	148,607	331,122
1000 Total Assets	<u>\$ 11,787,225</u>	<u>\$ 520,642</u>	<u>\$ 1,885,696</u>	<u>\$ 14,193,563</u>
LIABILITIES				
2010 Accounts Payable	\$ 504,970	\$ -	\$ -	\$ 504,970
2020 Wages and Salaries Payable	176,624	-	-	176,624
2080 Due to Other Funds	148,608	154,300	28,214	331,122
2230 Unearned Revenues	110,134	366,342	690,257	1,166,733
2270 Other Current Liabilities	20,000	-	-	20,000
2000 Total Liabilities	<u>960,336</u>	<u>520,642</u>	<u>718,471</u>	<u>2,199,449</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	373,645	-	92,187	465,832
2604 Deferred Resource Inflow - EMS	218,281	-	-	218,281
2605 Deferred Resource Inflow - Court	4,429,217	-	-	4,429,217
2600 Total Deferred Inflows of Resources	<u>5,021,143</u>	<u>-</u>	<u>92,187</u>	<u>5,113,330</u>
FUND BALANCES				
3460 Assigned for Special Purposes	-	-	952,510	952,510
3530 Committed For Capital Acquisition	4,162,606	-	-	4,162,606
3590 Assigned for Debt Service	-	-	122,528	122,528
3600 Unassigned Fund Balance	1,643,140	-	-	1,643,140
3000 Total Fund Balances	<u>5,805,746</u>	<u>-</u>	<u>1,075,038</u>	<u>6,880,784</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,787,225</u>	<u>\$ 520,642</u>	<u>\$ 1,885,696</u>	<u>\$ 14,193,563</u>

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

CITY OF PALMVIEW
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$	6,880,784
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		(1,626,469)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase (decrease) net position.		2,345,753
GASB 68 and GASB 75 for the TMRS Pension plan. this fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position.		(298,577)
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(902,278)
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.		2,711,686
Net Position of Governmental Activities	\$	9,110,899

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, 2022

Data Control Codes	General Fund	ARPA FUND	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ 2,201,002	\$ -	\$ 956,000	\$ 3,157,002
5120 General Sales and Use Taxes	2,241,913	-	-	2,241,913
5150 Gross Receipts Business Tax	6,466	-	-	6,466
5170 Franchise Tax	498,775	-	-	498,775
5190 Penalty and Interest on Taxes	92,037	-	28,186	120,223
5200 Licenses and Permits	363,365	-	-	363,365
5300 Intergovernmental Revenue and Grants	416,742	836,320	339,524	1,592,586
5400 Charges for Services	1,434,134	-	27,943	1,462,077
5510 Fines	499,849	-	-	499,849
5550 Special Assessments	1,483	-	-	1,483
5610 Investment Earnings	28	-	381	409
5620 Rents and Royalties	150,400	-	-	150,400
5700 Other Revenue	224,695	-	23,568	248,263
5020 Total Revenues	<u>8,130,889</u>	<u>836,320</u>	<u>1,375,602</u>	<u>10,342,811</u>
EXPENDITURES:				
Current				
0100 General Government	3,226,500	82,482	39,347	3,348,329
0200 Public Safety	3,450,071	-	1,091	3,451,162
Public Works:				
0310 Highways and Streets	1,049,910	-	-	1,049,910
0500 Culture and Recreation	296,414	-	-	296,414
Debt Service:				
0710 Principal on Debt	106,869	-	753,574	860,443
0720 Interest on Debt	96,248	-	227,164	323,412
Capital Outlay:				
0800 Capital Outlay	588,269	753,838	242,406	1,584,513
6030 Total Expenditures	<u>8,814,281</u>	<u>836,320</u>	<u>1,263,582</u>	<u>10,914,183</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(683,392)</u>	<u>-</u>	<u>112,020</u>	<u>(571,372)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	150,000	-	-	150,000
7080 Total Other Financing Sources (Uses)	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
1200 Net Change in Fund Balances	(533,392)	-	112,020	(421,372)
0100 Fund Balance - October 1 (Beginning)	6,361,200	-	924,185	7,285,385
1300 Prior Period Adjustment	(22,062)	-	38,833	16,771
3000 Fund Balance - September 30 (Ending)	<u>\$ 5,805,746</u>	<u>\$ -</u>	<u>\$ 1,075,038</u>	<u>\$ 6,880,784</u>

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

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	(421,372)
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. 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.		2,401,732
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.		(902,318)
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, 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.		(115,476)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>962,566</u>

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

NOTES TO FINANCIAL STATEMENTS

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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:

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.

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.

Note 1. Summary of Significant Accounting Policies - Continued

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 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

Note 1. Summary of Significant Accounting Policies - Continued

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.

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.

Note 1. Summary of Significant Accounting Policies – Continued

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.

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

Note 1. Summary of Significant Accounting Policies - Continued

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 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

Note 1. Summary of Significant Accounting Policies - Continued

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 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.

Note 1. Summary of Significant Accounting Policies - Continued

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.

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.

Note 1. Summary of Significant Accounting Policies - Continued

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 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

Note 1. Summary of Significant Accounting Policies - Continued

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.

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 financing 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 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.

GASB Statement No. 93, Interbank offered rates (LIBOR removal and lease modifications) – The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of this statement did not apply to the City for the current fiscal year.

GASB Statement No. 98, The Annual Comprehensive Financial Report – The objective of this Statement is to address references in authoritative literature to the term comprehensive annual financial report.

GASB Statement No. 99, Omnibus 2022 – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement did not apply to the City for the current fiscal year.

Note 1. Summary of Significant Accounting Policies - Continued

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

GASB Statement No. 91, *Conduit Debt Obligations* – The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Implementation of this Statement is planned for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. 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 2023.

GASB Statement No. 101, *Compensated Absences* – This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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.
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, 2022, the carrying amount of the City's deposits (cash) was \$7,479,868, and the bank balance was \$7,381,399 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, 2022, 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.

As of September 30, 2022, 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, 2022.

Note 3. Deposits and Investments – Continued

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, 2022 the carrying amount of the MDD's deposits (cash) was \$461,488 and the bank balance was \$471,488 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, 2022, 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 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, 2022, 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:

	Fines		Due From			Total
	Taxes	Receivable	EMS	Other Governments	Other	Receivables
Governmental Funds:						
General Fund	\$ 463,669	9,039,218	\$ 667,307	\$ 413,014	\$183,030	\$ 10,766,238
Urban County Program	-	-	-	690,257	-	690,257
CARE'S Act	-	-	-	-	-	-
Relending Program	-	-	-	-	86,881	86,881
Debt Service Fund	119,121	-	-	-	363	119,484
Hotel/Motel Fund	-	-	-	-	2,848	2,848
Allowance for Uncollectible	(116,958)	(4,610,001)	(449,025)	-	(8,681)	(5,184,665)
Total - Governmental Activities	\$ 465,832	\$4,429,217	\$ 218,281	\$ 1,103,271	\$264,441	\$ 6,481,042
Component Units						
Municipal Development District	\$ -	\$ -	\$ -	\$ 125,630	\$ -	\$ 125,630
Allowance for Uncollectible	-	-	-	-	-	-
Total Component Units	\$ -	\$ -	\$ -	\$ 125,630	\$ -	\$ 125,630

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.

Governmental Activities:	Receivable		
	Note Receivable	Allowance for Uncollectibles	Net Receivable
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, 2022 are as follows:

During the year ended September 30,	
2023	\$ 17,799
2024	69,081
Total	86,881

Note 7. Disaggregation of Other Liabilities

At September 30, 2022, the City had the following other liabilities:

Payable to	Governmental Activities
Accounts Payable	\$ 504,970
Salaries and Wages Payable	176,624
Customer Deposits	20,000
Total	\$ 701,594

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, 2022, interfund balances outstanding were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 182,514	\$ 148,608
Debt Service Fund	44,056	-
ARPA Fund	-	154,300
Department of Treasury	75,091	-
Federal Forfeiture	29,423	-
Crime Control Fund	-	28,214
Hotel/Motel Fund	37	-
Total	\$ 331,122	\$ 331,122

The composition of interfund transfers as of September 30, 2022, is as follows:

	Governmental Activities Transfer In General Fund	Total
Component Unit:		
Transfer Out		
PMDD	\$ 150,000	\$ 150,000
Total	\$ 150,000	\$ 150,000

City of Palmview, Texas
Notes to the Basic Financial Statements

Note 9. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance October 1, 2021	Capital Acquisitions	Sales or Disposals	Reclassifications/ Adjustments	Balance September 30, 2022
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 895,510	\$ -	\$ -	\$ -	\$ 895,510
Construction in Progress	881,560	1,027,564	(45,500)	-	1,863,624
Total Capital assets, not being depreciated	<u>1,777,069</u>	<u>1,027,564</u>	<u>(45,500)</u>	<u>-</u>	<u>2,759,134</u>
Capital Asset being depreciated:					
Buildings	5,903,738	29,750	-	29,750	5,963,238
Furniture and Equipment	5,575,154	410,582	-	15,750	6,001,486
Infrastructure	4,020,801	116,617	-	-	4,137,418
Total capital assets, being depreciated	<u>15,499,693</u>	<u>556,949</u>	<u>-</u>	<u>45,500</u>	<u>16,102,142</u>
Less accumulated depreciation for:					
Buildings	(1,876,301)	(128,530)	-	-	(2,004,831)
Furniture and Equipment	(3,382,338)	(519,565)	-	(2,065)	(3,903,968)
Infrastructure	(743,050)	(254,183)	-	-	(997,233)
Total accumulated depreciation	<u>(6,001,689)</u>	<u>(902,278)</u>	<u>-</u>	<u>(2,065)</u>	<u>(6,906,032)</u>
Total capital assets being depreciated, net	<u>9,498,004</u>	<u>(345,329)</u>	<u>-</u>	<u>43,435</u>	<u>9,196,110</u>
Governmental activities capital assets, net	<u>11,275,073</u>	<u>682,235</u>	<u>(45,500)</u>	<u>43,435</u>	<u>11,955,243</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 168,422
Public Safety	419,684
Highway & Streets	293,769
Culture & Recreation	20,403
Total depreciation expense	<u>\$ 902,278</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>
Intergovernmental	\$ 110,134	\$ 366,342	\$ 690,257	\$ 1,166,733
Total Unearned Revenues	<u>\$ 110,134</u>	<u>\$ 366,342</u>	<u>\$ 690,257</u>	<u>\$ 1,166,733</u>

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

\$1,095,000

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.

\$1,680,000

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.

\$ 618,000

Total bonds payable

5,143,000

Less: Current portion of bonds payable

518,000

Total notes payable, net of current portion

\$4,625,000

Bonds payable debt service requirements to maturity are as follows:

Fiscal Years Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2027	673,000	65,178	738,178
All years thereafter	<u>1,987,000</u>	<u>151,693</u>	<u>2,138,693</u>
Total	5,143,000	678,594	5,821,594

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	\$ 598,000
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.	1,055,000
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
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.	400,827
Total notes payable	<u>5,298,827</u>
Less: Current portion of notes payable	<u>312,840</u>
Total notes payable, net of current portion	<u>\$ 4,985,988</u>

Note Payable debt service requirements to maturity are as follows:

Fiscal Years Ending September 30,	Principal	Interest	Total
2023	\$ 312,840	\$ 84,788	\$ 397,628
2024	334,108	79,923	414,031
2025	350,379	74,556	424,935
2026	594,653	68,887	663,540
2027	452,930	58,407	511,336
All years thereafter	<u>3,253,918</u>	<u>271,834</u>	<u>3,525,752</u>
	5,298,827	638,394	5,937,222

Note 11. Long-Term Debt – Continued

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:

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.	401,826
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.	740,620
3.65% Lease payable due in 5 yearly installments of \$9,937.88 including interest, collateralized by (18) sets of Turnout Gear.	36,370
Total capital lease obligation	<u>1,178,013</u>
Less: Current portion of capital lease obligation	<u>97,601</u>
Total capital lease obligation, net of current portion	\$ 1,080,412

The future lease obligations and the net present value of these minimum lease payments as of September 30, 2022, are as follows:

Fiscal Years Ending September 30,	Principal	Interest	Total
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
2027	99,637	22,229	121,866
All years thereafter	670,446	86,174	756,619
Total	<u>\$ 1,178,013</u>	<u>\$ 227,689</u>	<u>\$ 1,405,702</u>

Note 11. Long-Term Debt – Continued

B. 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.	\$ 170,000
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.	1,460,000
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>1,795,000</u>
Total notes payable	3,425,000
Less: Current portion of notes payable	<u>205,000</u>
Total notes payable, net of current portion.	\$ 3,220,000

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

Fiscal Years Ending September 30,	Principal	Interest	Total
2023	\$ 205,000	\$ 348,494	\$ 553,494
2024	215,000	350,709	565,709
2025	220,000	347,206	567,206
2026	230,000	348,548	578,548
2027	240,000	349,135	589,135
All years thereafter	<u>2,315,000</u>	<u>2,793,903</u>	<u>5,108,903</u>
Total	3,425,000	4,537,996	7,962,996

Note 11. Long-Term Debt – Continued

Changes in Long-Term Liability

	2020	Additions	Reductions	Ending Balance	Amount Due within One Year
Governmental activities:					
Bonds Payable	\$ 5,598,000	\$ -	\$ (455,000)	\$ 5,143,000	\$ 518,000
Notes Payable	5,597,401	-	(298,574)	5,298,827	312,840
Capital Leases	1,284,882	-	(106,869)	1,178,013	97,601
Compensated Absences	421,261	52,705	-	473,966	-
Net Pension Liability	207,045	-	(138,483)	68,562	-
Total governmental activities	13,108,589	52,705	(998,926)	12,162,368	928,441
Component Unit					
PMDD					
Bonds Payable	3,625,000	-	(200,000)	3,425,000	205,000
Total Component Unit	3,625,000	-	(200,000)	3,425,000	205,000
Total Long-term Debt	\$ 16,733,589	\$ 52,705	\$(1,198,926)	\$ 15,587,368	\$ 1,133,441

Note 12. Operating Leases

The City rents three Saving Copiers/Fax/Scanners/ Printer Systems under a monthly operating lease. The lease is a 48-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.

Note 13. Defined Benefit Pension Plans - Continued

Benefits Provided

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

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.

Employees covered by benefit terms

At December 31, 2021 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	60
Active employees	84
	<hr/>
	149

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 1.78% and 1.79% in calendar years 2021 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2022, were \$62,695 and were equal to the required contributions.

Note 13. Defined Benefit Pension Plans – Continued

Net Pension Liability/ (Asset)

The City's Net Pension Liability/(Asset) was measured as of December 31, 2021, and the Total Pension Liability/(Asset) used to calculate the Net Pension Liability/(Asset) was determined by an actuarial valuation as of that date.

	Pension Liability (Asset) <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Pension Liability (Asset) <u>(a) - (b)</u>
Balance at December 31, 2020	\$ 2,250,083	\$ 2,043,038	\$ 207,045
Changes for the year:			
Service Cost	208,373	-	208,373
Interest	156,672	-	156,672
Change of benefit terms	-	-	-
Difference between expected and actual experience	(9,790)	-	(9,790)
Changes of assumptions	-	-	-
Contributions - employer	-	57,723	(57,723)
Contributions - employee	-	171,078	(171,078)
Net investment income	-	266,161	(266,161)
Benefit payments, including refunds of employee contributions	(66,401)	(66,401)	-
Administrative expense	-	(1,232)	1,232
Other Changes	-	8	(8)
Net Changes	<u>288,854</u>	<u>427,337</u>	<u>(138,483)</u>
Balance at December 31, 2021	<u><u>\$ 2,538,937</u></u>	<u><u>\$ 2,470,375</u></u>	<u><u>\$ 68,562</u></u>

Actuarial Assumptions

The Total Pension Liability/(Asset) in the December 31, 2021 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 2021 Municipal Retirees of Texas mortality tables. The rates for actives,

Note 13. Defined Benefit Pension Plans – Continued

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).

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)	\$ 585,620	\$ 68,562	\$(33,673)

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.tMrs.org.

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

At September 30, 2022, the City recognized a reduction of pension expense of \$3,885.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,226	\$ 95,643
Changes in actuarial assumptions	10,751	7,268
Difference between projected and actual investment earnings	-	134,646
Contributions subsequent to the measurement date	43,870	-
Total	<u>\$ 82,267</u>	<u>\$ 237,557</u>

Note 13. Defined Benefit Pension Plans – Continued

\$44,290 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, 2021 (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
2022	\$ (45,318)
2023	(74,273)
2024	(47,758)
2025	(34,916)
2026	(1,705)
Thereafter	(610)
Total	\$ (199,580)

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 entitles to but not yet receiving benefits	9
Active employees	84
Total	<u>98</u>

Note 14. Other Postemployment Benefits- Continued

Contributions

Employees for the City of Palmview were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 1.78% and 1.79% in calendar 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$3,607 and were equal to the required contributions.

Valuation of Assets

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefor 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 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.

Note 14. Other Postemployment Benefits – Continued

Total OPEB Liability

	<u>OPEB Liability</u>
Balance at December 31, 2020	\$ 85,329
Changes for the year:	
Service Cost	9,238
Interest	1,796
Change in benefit terms	-
Difference between expected and actual experience	(2,481)
Changes in assumptions	4,225
Benefit payments, including refunds of employee contributions	<u>(342)</u>
Net Changes	<u>12,436</u>
Balance at December 31, 2021	<u>\$ 97,765</u>

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer’s yearly contributions for retirees.

Discount Rate

Because the supplemental Death Benefits Funds 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.

The following presents the OPEB liability of the City, calculated using the discount rate of 1.84% 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 (.84%) or one-percentage-higher (2.84%) that the current rate:

	1% Decrease	Current Discount	1% Increase
	1.00%	Rate 2.00%	3.00%
Total OPEB Liability	<u>\$131,120</u>	<u>\$97,765</u>	<u>\$74,069</u>

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, 2022, the City recognized OPEB expense of \$14,202.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience (net of current year amortization)	\$ 4,168	\$ 11,628
Changes in assumptions and other inputs	30,951	3,267
Differences between projected and actual investment earning (net of current year amortization)	-	-
Contributions made subsequent to measurement date	2,636	-
Total	<u>\$ 37,755</u>	<u>\$ 14,895</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:

<u>Fiscal Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2023	\$ 3,169
2024	3,169
2025	3,169
2026	3,169
2027	2,988
Thereafter	4,560
Total	<u>\$ 20,224</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.

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. Subsequent Event

Management has evaluated subsequent events through March 28, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 3,003,940	\$ 2,200,518	\$ 2,201,002	\$ 484
5120	General Sales and Use Taxes	1,876,000	2,201,000	2,241,913	40,913
5150	Gross Receipts Business Tax	15,300	5,500	6,466	966
5170	Franchise Tax	411,969	476,500	498,775	22,275
5190	Penalty and Interest on Taxes	95,000	95,000	92,037	(2,963)
5200	Licenses and Permits	385,500	329,328	363,365	34,037
5300	Intergovernmental Revenue and Grants	504,584	661,254	416,742	(244,512)
5400	Charges for Services	1,452,110	1,452,110	1,434,134	(17,976)
5510	Fines	628,100	514,100	499,849	(14,251)
5550	Special Assessments	-	-	1,483	1,483
5610	Investment Earnings	35	35	28	(7)
5620	Rents and Royalties	144,000	144,000	150,400	6,400
5700	Other Revenue	311,345	209,764	224,695	14,931
5020	Total Revenues	8,827,883	8,289,109	8,130,889	(158,220)
EXPENDITURES:					
Current:					
0100	General Government	3,094,316	3,243,238	3,226,500	16,738
0200	Public Safety	3,637,834	3,660,959	3,450,071	210,888
Public Works:					
0310	Highways and Streets	1,121,346	1,165,692	1,049,910	115,782
0500	Culture and Recreation	295,369	362,793	296,414	66,379
Debt Service:					
0710	Principal on Debt	106,918	106,918	106,869	49
0720	Interest on Debt	32,386	97,244	96,248	996
Capital Outlay:					
0800	Capital Outlay	949,916	487,190	588,269	(101,079)
6030	Total Expenditures	9,238,085	9,124,034	8,814,281	309,753
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(410,202)	(834,925)	(683,392)	151,533
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	150,000	150,000	150,000	-
7080	Total Other Financing Sources (Uses)	150,000	150,000	150,000	-
1200	Net Change	(260,202)	(684,925)	(533,392)	151,533
0100	Fund Balance - October 1 (Beginning)	6,361,200	6,361,200	6,361,200	-
1300	Prior Period Adjustment	-	-	(22,062)	(22,062)
3000	Fund Balance - September 30 (Ending)	\$ 6,100,998	\$ 5,676,275	\$ 5,805,746	\$ 129,471

CITY OF PALMVIEW
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 208,373	\$ 195,252	\$ 187,615	\$ 157,478	\$ 145,082	\$ 131,327	\$ 106,919
Interest (on the total pension liability)	156,672	138,925	127,846	110,968	106,821	93,372	93,195
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(9,790)	(2,087)	(53,304)	60,838	(138,876)	(5,771)	(36,723)
Change of assumptions	-	-	(12,707)	-	-	-	65,694
Benefit payments, including refunds of employee contributions	(66,401)	(85,068)	(93,189)	(95,424)	(20,154)	(32,982)	(40,011)
Net Change in Total Pension Liability	<u>288,854</u>	<u>247,022</u>	<u>156,261</u>	<u>233,860</u>	<u>92,873</u>	<u>185,946</u>	<u>189,074</u>
Total Pension Liability - Beginning	<u>2,250,083</u>	<u>2,003,061</u>	<u>1,846,800</u>	<u>1,612,940</u>	<u>1,520,067</u>	<u>1,334,121</u>	<u>1,155,047</u>
Total Pension Liability - Ending (a)	<u>\$ 2,538,937</u>	<u>\$ 2,250,083</u>	<u>\$ 2,003,061</u>	<u>\$ 1,846,800</u>	<u>\$ 1,612,940</u>	<u>\$ 1,520,067</u>	<u>\$ 1,344,121</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 57,723	\$ 62,154	\$ 57,815	\$ 55,993	\$ 54,391	\$ 43,741	\$ 38,266
Contributions - employee	171,078	160,043	152,285	127,204	119,508	108,714	93,789
Net investment income	266,161	134,729	222,005	(41,719)	150,746	61,302	1,200
Benefit payments, including refunds of employee contributions	(66,401)	(85,068)	(93,189)	(95,424)	(20,154)	(32,982)	(40,011)
Administrative expense	(1,232)	(870)	(1,253)	(804)	(780)	(691)	(731)
Other	8	(34)	(38)	(42)	(40)	(37)	(37)
Net Change in Plan Fiduciary Net Position	<u>427,337</u>	<u>270,954</u>	<u>337,625</u>	<u>45,208</u>	<u>303,671</u>	<u>180,047</u>	<u>92,476</u>
Plan Fiduciary Net Position - Beginning	<u>2,043,038</u>	<u>1,772,085</u>	<u>1,434,460</u>	<u>1,389,252</u>	<u>1,085,581</u>	<u>905,534</u>	<u>813,058</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,470,375</u>	<u>\$ 2,043,039</u>	<u>\$ 1,772,085</u>	<u>\$ 1,434,460</u>	<u>\$ 1,389,252</u>	<u>\$ 1,085,581</u>	<u>\$ 905,534</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 68,562</u>	<u>\$ 207,044</u>	<u>\$ 230,976</u>	<u>\$ 412,340</u>	<u>\$ 223,688</u>	<u>\$ 434,486</u>	<u>\$ 438,587</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.30%	90.80%	88.47%	77.67%	86.13%	71.42%	67.37%
Covered Payroll	\$ 3,421,563	\$ 3,200,855	\$ 3,045,691	\$ 2,544,077	\$ 2,390,153	\$ 2,174,287	\$ 1,875,771
Net Pension Liability as a Percentage of Covered Payroll	2.00%	6.47%	7.58%	16.21%	9.36%	19.98%	23.38%

CITY OF PALMVIEW
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year Ended September 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 60,695	\$ 61,893	\$ 57,815	\$ 55,993	\$ 54,391	\$ 43,741	\$ 41,455	\$ 33,664
Contributions in relation to actuarially determined contribution	<u>(60,695)</u>	<u>(61,893)</u>	<u>(57,815)</u>	<u>(55,993)</u>	<u>(54,391)</u>	<u>(43,741)</u>	<u>(41,455)</u>	<u>(33,664)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,607,035	\$ 3,317,331	\$ 3,045,691	\$ 2,544,077	\$ 2,390,153	\$ 2,174,287	\$ 1,875,771	\$ 1,618,090
Contributions as a percentage of covered payroll	1.68%	1.87%	1.90%	2.20%	2.28%	2.01%	2.21%	2.08%

CITY OF PALMVIEW
 NOTES TO SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(1) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information: There were no benefit changes during the year.

CITY OF PALMVIEW
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 9,238	\$ 7,042	\$ 5,482	\$ 5,851	\$ 4,780
Interest (on the total OPEB liability)	1,796	2,007	1,868	1,387	1,163
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,481)	(9,413)	(2,993)	7,132	-
Change of assumptions	4,225	16,401	17,801	(5,591)	4,659
Benefit payments, including refunds of employee contributions	(342)	(320)	(305)	-	-
Net Change in Total OPEB Liability	<u>12,436</u>	<u>15,717</u>	<u>21,853</u>	<u>8,779</u>	<u>10,602</u>
Total OPEB Liability - Beginning	<u>85,329</u>	<u>69,612</u>	<u>47,759</u>	<u>38,980</u>	<u>28,378</u>
Total OPEB Liability - Ending	<u><u>\$ 97,765</u></u>	<u><u>\$ 85,329</u></u>	<u><u>\$ 69,612</u></u>	<u><u>\$ 47,759</u></u>	<u><u>\$ 38,980</u></u>
Covered Payroll	\$ 3,421,563	\$ 3,200,855	\$ 3,045,691	\$ 2,544,077	\$ 2,390,153
Total OPEB Liability as a Percentage of Covered Payroll	2.86%	2.67%	2.29%	1.88%	1.63%

CITY OF PALMVIEW
 NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	2.00%
Retirement Age	N/A
Mortality	Service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
Other Information:	There were no benefit changes during the year.

CITY OF PALMVIEW, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service. The American Rescue Plan fund, a major special revenue fund, did not have a legally adopted budget. The City Commission accepted the funds by resolution, but no budgetary action was taken due to the timing of the receipt of the funds.

Unused appropriations of the above annually budgeted amounts lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds is budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Revisions that alter total expenditures within a department must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is at the departmental level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adapted by the City Commission.

Expenditures may not legally exceed budgeted appropriations at the departmental level. During the year, several supplementary appropriations were necessary.

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OTHER SUPPLEMENTARY INFORMATION

CITY OF PALMVIEW
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

Data Control Codes	105	210	500	502
	Relending Program	Hotel/Motel Fund	Care's Act Fund	Urban County
ASSETS				
1010 Cash and Cash Equivalents	\$ 489,603	\$ 36,217	\$ -	\$ -
1050 Taxes Receivable	-	-	-	-
1051 Allowance for Uncollectible Taxes (credit)	-	-	-	-
1150 Accounts Receivable, Net	78,200	2,849	-	-
1260 Due from Other Governments	-	-	-	690,257
1300 Due from Other Funds	-	37	-	-
1000 Total Assets	<u>\$ 567,803</u>	<u>\$ 39,103</u>	<u>\$ -</u>	<u>\$ 690,257</u>
LIABILITIES				
2080 Due to Other Funds	\$ -	\$ -	\$ -	\$ -
2230 Unearned Revenues	-	-	-	690,257
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>690,257</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				
Restricted Fund Balance:				
3460 Assigned for Special Purposes	567,803	39,103	-	-
Assigned Fund Balance:				
3590 Assigned for Debt Service	-	-	-	-
3000 Total Fund Balances	<u>567,803</u>	<u>39,103</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 567,803</u>	<u>\$ 39,103</u>	<u>\$ -</u>	<u>\$ 690,257</u>

506 Federal Forfeiture Fund	507 State Forfeiture Fund	508 Department of Treasury	907 Crime Control Fund	Total Nonmajor Special Revenue Funds	305 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 82,653	\$ 2,547	\$ 155,890	\$ 28,214	\$ 795,124	\$ 78,109	\$ 873,233
-	-	-	-	-	119,121	119,121
-	-	-	-	-	(26,934)	(26,934)
-	-	-	-	81,049	363	81,412
-	-	-	-	690,257	-	690,257
29,423	-	75,091	-	104,551	44,056	148,607
<u>\$ 112,076</u>	<u>\$ 2,547</u>	<u>\$ 230,981</u>	<u>\$ 28,214</u>	<u>\$ 1,670,981</u>	<u>\$ 214,715</u>	<u>\$ 1,885,696</u>
\$ -	\$ -	\$ -	\$ 28,214	\$ 28,214	\$ -	\$ 28,214
-	-	-	-	690,257	-	690,257
-	-	-	28,214	718,471	-	718,471
-	-	-	-	-	92,187	92,187
-	-	-	-	-	92,187	92,187
112,076	2,547	230,981	-	952,510	-	952,510
-	-	-	-	-	122,528	122,528
<u>112,076</u>	<u>2,547</u>	<u>230,981</u>	<u>-</u>	<u>952,510</u>	<u>122,528</u>	<u>1,075,038</u>
<u>\$ 112,076</u>	<u>\$ 2,547</u>	<u>\$ 230,981</u>	<u>\$ 28,214</u>	<u>\$ 1,670,981</u>	<u>\$ 214,715</u>	<u>\$ 1,885,696</u>

CITY OF PALMVIEW
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Data Control Codes	105	210	500	502
	Relending Program	Hotel/Motel Fund	Care's Act Fund	Urban County
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	242,406
5400 Charges for Services	-	-	-	-
5610 Investment Earnings	-	-	-	-
5700 Other Revenue	-	11,506	-	-
5020 Total Revenues	<u>-</u>	<u>11,506</u>	<u>-</u>	<u>242,406</u>
EXPENDITURES:				
Current:				
0100 General Government	-	40	-	-
0200 Public Safety	-	-	-	-
Debt Service:				
0710 Principal on Debt	26,574	-	-	-
0720 Interest on Debt	4,274	-	-	-
Capital Outlay:				
0800 Capital Outlay	-	-	-	242,406
6030 Total Expenditures	<u>30,848</u>	<u>40</u>	<u>-</u>	<u>242,406</u>
1200 Net Change in Fund Balance	(30,848)	11,466	-	-
0100 Fund Balance - October 1 (Beginning)	598,651	-	-	-
1300 Prior Period Adjustment	-	27,637	-	-
3000 Fund Balance - September 30 (Ending)	<u>\$ 567,803</u>	<u>\$ 39,103</u>	<u>\$ -</u>	<u>\$ -</u>

506 Federal Forfeiture Fund	507 State Forfeiture Fund	508 Department of Treasury	907 Crime Control Fund	Total Nonmajor Special Revenue Funds	305 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 956,000	\$ 956,000
-	-	-	-	-	28,186	28,186
22,027	-	75,091	-	339,524	-	339,524
-	-	-	-	-	27,943	27,943
-	2	-	-	2	379	381
7,396	-	-	-	18,902	4,666	23,568
<u>29,423</u>	<u>2</u>	<u>75,091</u>	<u>-</u>	<u>358,428</u>	<u>1,017,174</u>	<u>1,375,602</u>
39,307	-	-	-	39,347	-	39,347
-	1,051	40	-	1,091	-	1,091
-	-	-	-	26,574	727,000	753,574
-	-	-	-	4,274	222,890	227,164
-	-	-	-	242,406	-	242,406
<u>39,307</u>	<u>1,051</u>	<u>40</u>	<u>-</u>	<u>313,692</u>	<u>949,890</u>	<u>1,263,582</u>
(9,884)	(1,049)	75,051	-	44,736	67,284	112,020
110,768	3,596	155,930	-	868,945	55,240	924,185
11,192	-	-	-	38,829	4	38,833
<u>\$ 112,076</u>	<u>\$ 2,547</u>	<u>\$ 230,981</u>	<u>\$ -</u>	<u>\$ 952,510</u>	<u>\$ 122,528</u>	<u>\$ 1,075,038</u>

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COMPLIANCE SECTION

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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, 2022, 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 March 28, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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

March 28, 2023

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, 2022. 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, 2022.

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

March 28, 2023

CITY OF PALMVIEW, TEXAS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 identified? | No |
| Significant Deficiency identified which
were not considered material weaknesses? | No |
| 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 identified? | No |
| Significant Deficiency 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 21.027 Coronavirus State and Local Fiscal Recovery Funds(ARPA) | |
| H. Dollar threshold to distinguish between type A and type B programs: | \$750,000 |
| I. Low Risk Auditee | No |

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

None

III. Findings Relating to Federal Awards and Questions Costs.

None

CITY OF PALMVIEW, TEXAS
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

Status: Corrected

City of Palmview, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through To Subrecipients	Expenditures
Federal Awards				
U.S. Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Grant	14.218	B-19-UC-48-0501		\$ 19,278
Community Development Block Grants/Entitlement Grant	14.218	B-20-UC-48-0501		214,484
Community Development Block Grants/Entitlement Grant	14.218	B-21-UC-48-0501		5,522
Community Development Block Grants/Entitlement Grant	14.218	B-22-UC-48-0501		3,122
Total U.S. Department of Housing and Urban Development				\$ 242,406
U.S. Department Of The Treasury				
Equitable Sharing Funds	21.016	74-2277841		\$ 40
ICE Overtime Reimbursement	21.016	122SA 1974		6,413
Passed Through Texas Department of Emergency Management Coronavirus State and Local Fiscal Recovery Funds	21.027	74-2277841		836,320
Total U.S. Department Of The Treasury				\$ 842,773
Department of Homeland Security				
Passed through the Texas Homeland Security State Homeland Security Program - Operation Stonegarden	97.067	3173206		\$ 109,713
Total U.S. Department of Homeland Security				\$ 109,713
U.S. Department of Justice				
Equitable Sharing Funds	16.922	74-2277841		\$ 39,308
DEA Overtime Reimbursement	16.922	74-2277841		20,534
Passed Through Office Of The Attorney General Victim Coordinator Liason Grant (VCLG)	16.575	2106938		4,894
Victim Coordinator Liason Grant (VCLG)	16.575	2214922		33,754
Total U.S. Department of Justice				\$ 98,488
Total Expenditures of Federal Awards				\$ 1,293,380

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CITY OF PALMVIEW, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Palmview, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2: INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: FEDERAL LOANS AND LOAN GUARANTEES

During the fiscal year ended September 30, 2022, the City had no outstanding federal loans payable or loan guarantees.

NOTE 4: SUB-RECIPIENTS

During the fiscal year ended September 30, 2022, the City did not have any sub-recipients.

NOTE 5: NONCASH AWARDS

During the fiscal year ended September 30, 2022, the City did not receive any non-cash assistance.

NOTE 6: FEDERALLY FUNDED INSURANCE

During the fiscal year ended September 30, 2022, the City had no outstanding federally funded insurance.