

City of Ovilla, Texas

Independent Auditor's Report and Financial Statements

September 30, 2023

City of Ovilla, Texas

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Independent Auditor's Report

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ovilla, Texas (City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, 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 (GAAS). 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, 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

As discussed in Note 1 to the financial statements, in fiscal year 2023, the City adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

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's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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 GAAS 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 GAAS, 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'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'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, budgetary comparison, and pension and other postemployment benefit 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 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 budgetary comparison schedules and the combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the budgetary comparison schedules and the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS, LLP

Dallas, Texas
May 3, 2024

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City of Ovilla, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2023

As management of the City of Ovilla, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,072,539 (net position). Of this amount, \$3,130,512 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,192,335 from prior year. \$839,955 of this increase was attributed to governmental activities and an increase of \$352,380 was due to business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,949,334, an increase of \$825,343 in comparison with the prior year. Approximately 49 percent of this amount (\$957,676) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$957,676, or approximately 23 percent of total general fund expenditures.
- The City's total outstanding long-term bonded debt decreased by \$490,000 during the current fiscal year because of scheduled debt service payments.
- In fiscal year 2023, the City adopted GASB Statement No 96. Comparative information presented herein has not been restated for the adoption of GASB 96 because the basic financial statements present fiscal year 2023 only.

Overview of the Financial Statements

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

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

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

City of Ovilla, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2023

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

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

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

The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

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

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

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-51 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the general fund's budget to actual performance and the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 52-55 of this report.

The budget to actual schedules and combining and individual fund financial statements in connection with debt service fund, water and sewer fund, nonmajor governmental funds and discretely presented component units are presented immediately following the required supplementary information on budget, pensions and other postemployment benefits. These schedules and statements can be found on pages 56-64 of this report.

Government-wide Overall Financial Analysis

Net position for the City may serve as a useful indicator of a government's financial stability. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,072,539, at the close of the most recent fiscal year.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,944,160	\$ 2,642,250	\$ 7,641,767	\$ 2,852,499	\$ 10,585,927	\$ 5,494,749
Capital and leased assets	5,875,721	6,098,000	2,615,006	2,857,602	8,490,727	8,955,602
Total assets	8,819,881	8,740,250	10,256,773	5,710,101	19,076,654	14,450,351
Deferred outflows of resources	498,829	243,925	162,930	52,316	661,759	296,241
Long-term liabilities	2,493,328	2,310,162	4,518,031	552,260	7,011,359	2,862,422
Other liabilities	706,426	1,083,000	1,132,034	755,701	1,838,460	1,838,701
Total liabilities	3,199,754	3,393,162	5,650,065	1,307,961	8,849,819	4,701,123
Deferred inflows of resources	805,140	1,117,152	10,915	48,113	816,055	1,165,265
Net position:						
Net investment in capital assets	3,704,464	3,235,584	2,243,060	2,389,027	5,947,524	5,624,611
Restricted	990,502	781,868	4,001	3,844	994,503	785,712
Unrestricted	618,850	456,409	2,511,662	2,013,472	3,130,512	2,469,881
Total net position	\$ 5,313,816	\$ 4,473,861	\$ 4,758,723	\$ 4,406,343	\$ 10,072,539	\$ 8,880,204

A portion of the City's net position (59.0 percent) reflects its investment in capital assets (*e.g.*, land, construction in progress, buildings, improvements, lease equipment, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,130,512 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's net investment in capital assets increased as a result of scheduled principal payments on long term debt.

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

The City's overall net position increased \$1,192,335 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$839,955 from the prior fiscal year for an ending balance of \$5,313,816. Revenues benefitted from an increase in property tax (\$272,941) due to growth of the City. The City also saw a decrease in operating grants and capital contributions largely due to the contributions from the Economic Development Corporation and the Municipal Development District that were significantly less than prior year. General government expenses decreased throughout the year (\$149,662).

Business-type Activities. For the City's business-type activities, the current fiscal year resulted in an increase in net position of \$352,380 for an ending balance of \$4,758,723. Charges for services decreased 5.60 percent (\$152,668) largely due to a decrease in impact fees attributable to a decrease in new home construction. Total expenses increased 17.45 percent (\$321,982) due to an increase in wages and purchased water and treatment costs as a result of the City's growth.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES:						
Program Revenues:						
Charges for services	\$ 1,137,068	\$ 1,243,192	\$ 2,579,191	\$ 2,731,859	\$ 3,716,259	\$ 3,975,051
Operating grants and contributions	128,222	884,738	-	-	128,222	884,738
General Revenues:						
Property tax	3,210,332	2,937,391	-	-	3,210,332	2,937,391
Sales tax	563,163	574,512	-	-	563,163	574,512
Franchise tax	193,002	179,990	-	-	193,002	179,990
Grants not restricted to specific programs	-	-	-	533,776	-	533,776
Investment earnings	52,622	48,541	289	42	52,911	48,583
Miscellaneous	232,235	256,217	-	-	232,235	256,217
Gain on sale of capital assets	30,875	145,000	-	-	30,875	145,000
Total revenues	<u>5,547,519</u>	<u>6,269,581</u>	<u>2,579,480</u>	<u>3,265,677</u>	<u>8,126,999</u>	<u>9,535,258</u>
EXPENSES:						
General government	1,268,334	1,302,762	-	-	1,268,334	1,302,762
Public safety	2,347,179	2,516,905	-	-	2,347,179	2,516,905
Streets	511,073	530,979	-	-	511,073	530,979
Cultural and recreation	244,081	216,794	-	-	244,081	216,794
Solid waste	367,102	293,394	-	-	367,102	293,394
Interest and fiscal charges	30,045	56,641	-	-	30,045	56,641
Water and sewer	-	-	2,166,850	1,844,868	2,166,850	1,844,868
Total expenses	<u>4,767,814</u>	<u>4,917,475</u>	<u>2,166,850</u>	<u>1,844,868</u>	<u>6,934,664</u>	<u>6,762,343</u>
Increase (decrease) in net position before transfers	779,705	1,352,106	412,630	1,420,809	1,192,335	2,772,915
Transfers	<u>60,250</u>	<u>109,272</u>	<u>(60,250)</u>	<u>(109,272)</u>	-	-
Increase (decrease) in net position	839,955	1,461,378	352,380	1,311,537	1,192,335	2,772,915
Net position, beginning	<u>4,473,861</u>	<u>3,012,483</u>	<u>4,406,343</u>	<u>3,094,806</u>	<u>8,880,204</u>	<u>6,107,289</u>
Net position, ending	<u>\$ 5,313,816</u>	<u>\$ 4,473,861</u>	<u>\$ 4,758,723</u>	<u>\$ 4,406,343</u>	<u>\$ 10,072,539</u>	<u>\$ 8,880,204</u>

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Financial Analysis of Funds

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

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

At September 30, 2023, the City's governmental funds reported combined fund balances of \$1,949,334, an increase of \$825,343 in comparison with the prior year. Approximately 49 percent of this amount (\$957,676) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is nonspendable or restricted for particular purposes (\$991,658).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$957,676, while total fund balance was \$983,960. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 23 percent of total general fund expenditures, while total fund balance represents approximately 23 percent of that same amount.

The fund balance of the City's general fund increased by \$615,553 during the current fiscal year. Additionally, the general fund had increases in general government, public safety, streets, and solid waste expenses due to an increase in wages and repairs and maintenance.

The debt service fund, a major governmental fund, had an increase in fund balance during the current year of \$101,128 to bring the year-end fund balance to \$669,395 due to budgeted increase in allocation of ad valorem revenues during the fiscal year.

The street maintenance fund, a major governmental fund, had an increase in fund balance during the current year of \$112,633 to bring the year-end fund balance to \$204,350 due to less capital expenditures during 2023.

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

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Unrestricted net position of the Water and Sewer Fund at the end of the year was \$2,511,662. The total increase in net position was \$352,380. Operating revenues decreased in 2023 by \$152,668 (5.59 percent) due to a decrease in impact fees attributable to a decrease in new home construction. Operating expenses increased \$330,844 (18.09 percent) due to an increase in wages and purchased water costs as a result of the City's growth.

General Fund Budgetary Highlights

Final budget compared to actual results. General fund actual revenues of \$4,767,881 exceeded budgeted revenues of \$4,696,127 by \$71,754. This positive variance in revenues was mostly attributable to higher than budgeted sales tax as a result of increased sales within the City limits.

Budgeted general fund expenditures of \$4,725,894 exceeded actual expenditures of \$4,221,836. This \$504,058 positive variance in expenditures was attributable to decreased capital outlay expenditures.

Capital Lease and Subscription Assets and Debt Administration

Capital Lease and Subscription Assets. The City's investment in capital, lease and subscription assets for its governmental and business-type activities as of September 30, 2023, amounts to \$8,490,727 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 11.74 percent.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 397,763	\$ 397,763	\$ 86,700	\$ 86,700	\$ 484,463	\$ 484,463
Construction in progress	13,660	16,750	-	-	13,660	16,750
Buildings	1,235,205	1,305,077	71,467	74,479	1,306,672	1,379,556
Improvements	-	-	1,875,737	2,062,542	1,875,737	2,062,542
Machinery and equipment	593,622	701,723	581,102	633,881	1,174,724	1,335,604
Subscription	75,012	-	-	-	75,012	-
Infrastructure	3,560,459	3,676,687	-	-	3,560,459	3,676,687
Total	\$ 5,875,721	\$ 6,098,000	\$ 2,615,006	\$ 2,857,602	\$ 8,490,727	\$ 8,955,602

Additional information on the City's capital assets can be found in *Note 7* on pages 41-42 of this report.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,570,000.

	Governmental Activities		Business-type Activities		Primary Government Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 2,065,496	\$ 2,459,322	\$ 504,504	\$ 600,678	\$ 2,570,000	\$ 3,060,000
Notes payable	-	-	4,000,000	-	4,000,000	-
Subscription liability	73,621	-	-	-	73,621	-
Lease liability	21,934	28,508	-	-	21,934	28,508
Totals	\$ 2,161,051	\$ 2,487,830	\$ 4,504,504	\$ 600,678	\$ 6,665,555	\$ 3,088,508

The City's total bonded debt decreased by \$490,000, (16.01 percent) during the current fiscal year. The reason for the decrease is regularly scheduled debt service payments.

The City maintains a "AA" rating from Standard & Poor's Ratings for general obligation debt.

Additional information on the City's long-term debt can be found in *Note 8* on pages 43-45 of this report.

Economic Factors and Next Year's Budgets and Rates

In Fiscal Year 2022-2023 residential development in Ovilla slowed significantly due to rising interest rates and other economic factors. Fortunately, in early 2024, it appears as though residential development has picked up once again. In January 2024, the Ovilla City Council approved the final plat for Broadmoor Phase II. The City has been processing a number of residential building permits from Broadmoor Phase I and Bryson Manor developments. The City has also recently approved the final plat for a new Red Oak Middle School off of Westmoreland Road in Ovilla. There have also been a number of other residential and commercial development inquiries in 2024.

In the FY 2023-2024 budget, the City budgeted increases in ad valorem tax revenue due to new properties being added to the tax rolls. The City also increased sales tax revenue based on annual upward trends. The City also budgeted for several American Rescue Plan funded projects with the offsetting revenues transferred in.

Pursuant to the City's Fund Balance Policy it is the City's goal to maintain a committed fund balance equal to 25% of budgeted expenditures. The goal of staff and council with the FY 2023-2024 budget was to adequately fund current service levels and work to replenish the fund balance in keeping with the policy.

City of Ovilla, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

In the FY 2023-2024 budget, the EDC provided funds to assist in hiring a Community Development/Economic Development Coordinator. Ellis County ESD No. 2 provided \$100,000 more in revenue to assist the fire department in hiring three (3) full-time captain positions. In addition, the fire department budgeted \$178,100 for the purchase of a brush truck. The truck had been included in the prior two budgets, but no trucks were available for purchase. The police department advised they didn't need to fill open officer position(s) but requested an increase to the base pay for patrol officers and funds to purchase two new police vehicles. Additionally, the city budgeted to put \$126,487 in administrative reserves in the general fund. In the Water and Utilities Fund, Dallas Water Utilities advised the city of a 15% increase in the cost of water. To cover the cost of the increased water rate, the city passed on the increase to customers through increased water rates. The revenues for water sales and sewer service increased due to increased rates and addition of new houses in the Broadmoor and Bryson Manor developments.

The adopted FY 2022-2023 ad valorem tax rate was \$0.6262 per \$100 assessed property valuation. The adopted maintenance and operation rate was \$0.5352 and the debt service rate \$0.0910 respectively.

The adopted FY 2023-2024 ad valorem tax rate was also \$0.6262 per \$100 assessed property valuation. The adopted maintenance and operation rate was \$0.5014 and the debt service rate \$0.1248 respectively.

Requests for Information

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

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Basic Financial Statements

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City of Ovilla, Texas
Statement of Net Position
September 30, 2023

	Primary Government			Component Units	
	Governmental Activities		Business-type Activities	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
	\$		\$	\$	\$
Assets					
Cash and cash equivalents	\$ 2,082,299		\$ 2,979,225	\$ 5,061,524	\$ 943,682
Investments	262,850		-	262,850	-
Receivables (net of allowances for uncollectibles)	519,804		381,455	901,259	34,271
Due from component unit	48,891		3,369	52,260	-
Internal balances	29,160		(29,160)	-	-
Inventories	-		13,055	13,055	-
Prepaid expenses	1,156		3,818	4,974	-
Restricted cash and cash equivalents	-		4,290,005	4,290,005	-
Capital and leased assets					
Nondepreciable	411,423		86,700	498,123	-
Depreciable, net of accumulated depreciation	5,464,298		2,528,306	7,992,604	-
Total assets	<u>8,819,881</u>		<u>10,256,773</u>	<u>19,076,654</u>	<u>977,953</u>
Deferred Outflows of Resources					
Deferred outflows of resources – Pension	479,164		158,877	638,041	-
Deferred outflows of resources – OPEB	19,665		4,053	23,718	-
Total deferred outflows of resources	<u>498,829</u>		<u>162,930</u>	<u>661,759</u>	<u>-</u>
Liabilities					
Current liabilities:					
Accounts payable	54,124		242,258	296,382	6,761
Accrued wages payable	51,610		-	51,610	-
Accrued interest payable	3,176		-	3,176	-
Other accrued liabilities	65,545		-	65,545	-
Due to primary government	-		-	-	51,635
Customer deposits	-		152,888	152,888	-
Unearned revenue	-		500,789	500,789	-
Compensated absences	102,587		7,220	109,807	-
Bonds payable – current	401,864		98,136	500,000	-
Notes payable – current	-		130,743	130,743	-
Lease liability – current	6,656		-	6,656	-
Subscription liability – current	20,864		-	20,864	-
Noncurrent liabilities:					
Bonds payable	1,663,632		406,368	2,070,000	-
Notes payable	-		3,869,257	3,869,257	-
Lease liability	15,278		-	15,278	-
Subscription liability	52,757		-	52,757	-
Net pension liability	699,765		232,012	931,777	-
Total OPEB liability	61,896		10,394	72,290	-
Total liabilities	<u>3,199,754</u>		<u>5,650,065</u>	<u>8,849,819</u>	<u>58,396</u>
Deferred Inflows of Resources					
Deferred charge on refunding	10,206		1,895	12,101	-
Deferred inflows of resources – Lease related	766,121		-	766,121	-
Deferred inflows of resources – OPEB	28,813		9,020	37,833	-
Total deferred inflows of resources	<u>805,140</u>		<u>10,915</u>	<u>816,055</u>	<u>-</u>
Net Position					
Net investment in capital assets	3,704,464		2,243,060	5,947,524	-
Restricted for:					
Cultural and recreational	64,331		-	64,331	-
Debt service	668,995		-	668,995	-
Economic development	-		-	-	919,557
Infrastructure improvements	-		4,001	4,001	-
Municipal development	-		-	-	164,272
Public safety	53,582		-	53,582	-
Streets	203,594		-	203,594	-
Unrestricted	618,850		2,511,662	3,130,512	-
Total net position	<u>\$ 5,313,816</u>		<u>\$ 4,758,723</u>	<u>\$ 10,072,539</u>	<u>\$ 919,557</u>
					<u>\$ 164,272</u>

City of Ovilla, Texas
Statement of Activities
Year Ended September 30, 2023

Function/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position						Component Units		
		Program Revenues		Primary Government						
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total				
Primary Government:										
Governmental activities:										
General government	\$ 1,268,334	\$ 220,041	\$ -	\$ (1,048,293)	\$ -	\$ (1,048,293)	\$ -	Ovilla 4B	Ovilla	
Public safety	2,347,179	537,296	128,222	(1,681,661)	-	(1,681,661)	-	Economic Development Corporation	Municipal Development District	
Streets	511,073	-	-	(511,073)	-	(511,073)	-			
Cultural and recreation	244,081	15,685	-	(228,396)	-	(228,396)	-			
Solid waste	367,102	364,046	-	(3,056)	-	(3,056)	-			
Interest and fiscal charges	30,045	-	-	(30,045)	-	(30,045)	-			
Total governmental activities	<u>4,767,814</u>	<u>1,137,068</u>	<u>128,222</u>	<u>(3,502,524)</u>	<u>-</u>	<u>(3,502,524)</u>	<u>-</u>			
Business-type Activities:										
Water and sewer	2,166,850	2,579,191	-	-	412,341	412,341	-			
Total business-type activities	<u>2,166,850</u>	<u>2,579,191</u>	<u>-</u>	<u>-</u>	<u>412,341</u>	<u>412,341</u>	<u>-</u>			
Total primary government	<u>\$ 6,934,664</u>	<u>\$ 3,716,259</u>	<u>\$ 128,222</u>	<u>(3,502,524)</u>	<u>412,341</u>	<u>(3,090,183)</u>	<u>-</u>			
Component Units:										
Ovilla 4B Economic Development Corporation	\$ 77,594	\$ -	\$ -					(77,594)	-	
Ovilla Municipal Development District	41,523	-	-						(41,523)	
Total component units	<u>\$ 119,117</u>	<u>\$ -</u>	<u>\$ -</u>					<u>(77,594)</u>	<u>(41,523)</u>	
General Revenues:										
Property tax		3,210,332	-	3,210,332						
Sales tax		563,163	-	563,163				225,265	128,707	
Franchise tax		193,002	-	193,002						
Investment earnings		52,622	289	52,911				6,601	6,127	
Miscellaneous		232,235	-	232,235						
Gain on sale of capital assets		30,875	-	30,875						
Transfers		60,250	(60,250)	-						
Total general revenues and transfers	<u>4,342,479</u>	<u>(59,961)</u>		<u>4,282,518</u>			<u>231,866</u>		<u>134,834</u>	
Change in net position		839,955	352,380	1,192,335				154,272	93,311	
Net Position, Beginning of Year	<u>4,473,861</u>	<u>4,406,343</u>		<u>8,880,204</u>			<u>765,285</u>		<u>70,961</u>	
Net Position, End of Year	<u>\$ 5,313,816</u>	<u>\$ 4,758,723</u>	<u>\$ 10,072,539</u>	<u>\$ 919,557</u>			<u>\$ 164,272</u>			

City of Ovilla, Texas
Balance Sheet – Governmental Funds
September 30, 2023

	General Fund	Debt Service Fund	Street Maintenance Fund	Total Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,137,896	\$ 666,651	\$ 186,458	\$ 91,294	\$ 2,082,299
Investments	262,850	-	-	-	262,850
Receivables (net of allowance for uncollectibles)					
Taxes	162,722	8,504	17,136	-	188,362
Leases	319,085	-	-	-	319,085
Accounts receivable	12,357	-	-	-	12,357
Due from other funds	26,971	2,593	-	335	29,899
Due from component unit	48,891	-	-	-	48,891
Prepaid expenses	-	400	756	-	1,156
Total assets	\$ 1,970,772	\$ 678,148	\$ 204,350	\$ 91,629	\$ 2,944,899
Liabilities					
Accounts payable	\$ 54,124	\$ -	\$ -	\$ -	\$ 54,124
Accrued wages payable	51,610	-	-	-	51,610
Other accrued liabilities	65,545	-	-	-	65,545
Due to other funds	335	404	-	-	739
Total liabilities	171,614	404	-	-	172,018
Deferred Inflows of Resources					
Lease related	766,121	-	-	-	766,121
Unavailable revenue – property taxes	49,077	8,349	-	-	57,426
Total deferred inflows of resources	815,198	8,349	-	-	823,547
Fund Balances					
Nonspendable	-	400	756	-	1,156
Restricted:					
Cultural and recreational	24,497	-	-	39,834	64,331
Debt service	-	668,995	-	-	668,995
Public safety	1,787	-	-	51,795	53,582
Streets	-	-	203,594	-	203,594
Unassigned	957,676	-	-	-	957,676
Total fund balances	983,960	669,395	204,350	91,629	1,949,334
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,970,772	\$ 678,148	\$ 204,350	\$ 91,629	\$ 2,944,899

City of Ovilla, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2023

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

Total fund balance – governmental funds	\$ 1,949,334
Capital and leased assets (net of accumulated depreciation and amortization) used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.	5,875,721
Revenues earned but not available within 60 days of year-end are not recognized as revenue in the fund financial statements.	57,426
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the fund financial statements.	(3,176)
Long-term liabilities including bonds payable, lease liability, subscription liability, compensated absences, net pension liability, and total OPEB liability and the related deferred outflows and deferred inflows for pensions and OPEB, are not due and payable in the current period and therefore are not reported in the fund financial statements.	<u>(2,565,489)</u>
Net position of governmental activities	<u><u>\$ 5,313,816</u></u>

City of Ovilla, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Year Ended September 30, 2023

	General Fund	Debt Service Fund	Street Maintenance Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues					
Property tax	\$ 2,729,847	\$ 465,354	\$ -	\$ -	\$ 3,195,201
Sales tax	450,530	-	112,633	-	563,163
Franchise tax	193,002	-	-	-	193,002
Licenses and permits	171,403	-	-	-	171,403
Fines and forfeitures	138,274	-	-	8,581	146,855
Charges for services	811,115	-	-	-	811,115
Special assessment	-	-	-	7,694	7,694
Miscellaneous	193,602	-	-	-	193,602
Intergovernmental	27,378	-	-	-	27,378
Contributions and donations	108	-	-	-	108
Investment earnings	52,622	-	-	-	52,622
 Total revenues	 4,767,881	 465,354	 112,633	 16,275	 5,362,143
Expenditures					
Current:					
General government	1,151,075	-	-	-	1,151,075
Public safety	2,201,005	-	-	4,239	2,205,244
Streets	289,912	-	-	-	289,912
Cultural and recreational	182,169	-	-	-	182,169
Solid waste	367,101	-	-	-	367,101
Debt service:					
Principal	30,574	393,826	-	-	424,400
Interest and fiscal charges	-	30,650	-	-	30,650
Capital outlay	-	-	-	16,007	16,007
 Total expenditures	 4,221,836	 424,476	 -	 20,246	 4,666,558
 Excess (deficiency) of revenues over (under) expenditures	 546,045	 40,878	 112,633	 (3,971)	 695,585
Other Financing Resources (Uses)					
Transfers in	-	60,250	-	-	60,250
Insurance proceeds	38,633	-	-	-	38,633
Sale of capital assets	30,875	-	-	-	30,875
 Total other financing sources (uses)	 69,508	 60,250	 -	 -	 129,758
 Net change in fund balances	 615,553	 101,128	 112,633	 (3,971)	 825,343
Fund Balances, Beginning of Year	 368,407	 568,267	 91,717	 95,600	 1,123,991
Fund Balances, End of Year	 \$ 983,960	 \$ 669,395	 \$ 204,350	 \$ 91,629	 \$ 1,949,334

City of Ovilla, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2023

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

Net change in fund balances – total governmental funds	\$ 825,343
Governmental funds report capital and lease 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 and amortization expense. This is the amount by which capital outlays of \$16,007 exceeded depreciation of \$407,350 and amortization of \$29,293 in the current year.	(420,636)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in deferred inflows of resources.	15,131
The net effect of various miscellaneous transactions involving capital assets (<i>i.e.</i> capital contributions of capital assets).	100,736
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal payments on leases/subscriptions	30,574
Principal paid on long-term debt	393,826
Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances.	(101,918)
Current year changes in long-term liabilities for compensated absences do not require the use of current financial resources; therefore they are not reported as expenditures in the governmental funds.	(3,706)
Current year change in accrued interest payable required the use of current financial resources, but is not an expense at government-wide.	605
Change in net position of governmental activities	\$ 839,955

City of Ovilla, Texas
Statement of Net Position – Proprietary Fund
September 30, 2023

	Water and Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,979,225
Receivables (net of allowance for doubtful accounts)	
Accounts receivable	381,455
Due from component unit	3,369
Inventories	13,055
Prepays	3,818
Restricted cash and cash equivalents	4,290,005
Total current assets	<u>7,670,927</u>
Noncurrent Assets	
Capital assets	86,700
Nondepreciable	<u>2,528,306</u>
Depreciable, net of accumulated depreciation	
Total noncurrent assets	<u>2,615,006</u>
Total assets	<u>10,285,933</u>
Deferred Outflows of Resources	
Deferred outflows of resources – Pension	158,877
Deferred outflows of resources – OPEB	4,053
Total deferred outflows of resources	<u>162,930</u>
Liabilities	
Current Liabilities	
Accounts payable	242,258
Compensated absences	7,220
Customer deposits	152,888
Due to other funds	29,160
Unearned revenue	500,789
Long-term debt – current	228,879
Total current liabilities	<u>1,161,194</u>
Noncurrent liabilities	
Long-term debt, less current portion	4,275,625
Net pension liability	232,012
Total OPEB liability	10,394
Total noncurrent liabilities	<u>4,518,031</u>
Total liabilities	<u>5,679,225</u>
Deferred Inflows of Resources	
Deferred charge on refunding	1,895
Deferred inflows of resources – OPEB	9,020
Total deferred inflows of resources	<u>10,915</u>
Net Position	
Net investment in capital assets	2,243,060
Restricted for:	
Infrastructure improvements	4,001
Unrestricted	<u>2,511,662</u>
Total net position	<u>\$ 4,758,723</u>

City of Ovilla, Texas
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Fund
Year Ended September 30, 2023

	Water and Sewer Fund
Operating Revenues	
Water sales	\$ 1,341,999
Sewer service charges	663,020
Impact fees	137,409
Infrastructure improvement fees	95,801
Miscellaneous	<u>340,962</u>
	<u>2,579,191</u>
Total operating revenues	<u>2,579,191</u>
Operating Expenses	
Water administration	282,460
Water	987,253
Sewer	647,531
Depreciation	<u>242,596</u>
	<u>2,159,840</u>
Total operating expenses	<u>2,159,840</u>
Operating income	<u>419,351</u>
Nonoperating Revenues (Expenses)	
Investment earnings	289
Interest and fiscal charges	<u>(7,010)</u>
	<u>(6,721)</u>
Total nonoperating revenues (expenses)	<u>(6,721)</u>
Income before transfers	412,630
Transfers out	<u>(60,250)</u>
Change in net position	352,380
Net Position, Beginning of Year	<u>4,406,343</u>
Net Position, End of Year	<u>\$ 4,758,723</u>

City of Ovilla, Texas
Statement of Cash Flows – Proprietary Fund
Year Ended September 30, 2023

	Water and Sewer Fund
Operating Activities	
Receipts from customers	\$ 2,449,811
Receipt of customer deposits	16,850
Payments to suppliers for goods and services	(1,394,955)
Payments to employees for salaries and benefits	(250,099)
Net cash provided by operating activities	<u>821,607</u>
Noncapital Financing Activities	
Transfers to other funds	(60,250)
Net cash used in noncapital financing activities	<u>(60,250)</u>
Capital and Related Financing Activities	
Principal paid on capital debt	(96,174)
Interest and fiscal charges paid on capital debt	(7,388)
Issuance of note payable	4,000,000
Net cash provided by capital and related financing activities	<u>3,896,438</u>
Investing Activities	
Interest on investments	289
Net cash provided by investing activities	<u>289</u>
Net increase in cash and cash equivalents	4,658,084
Cash and Cash Equivalents, Beginning of Year (including \$272,921 reported as restricted assets)	<u>2,611,146</u>
Cash and Cash Equivalents, End of Year (including \$4,290,005 reported as restricted assets)	<u>\$ 7,269,230</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 419,351
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	242,596
(Increases) decreases in assets and deferred outflows of resources:	
Accounts receivable and unbilled revenue	(129,380)
Due to/due from other funds	(3,369)
Prepaid expenses	1,565
Deferred outflows of resources	(146,991)
Increases (decreases) in liabilities and deferred inflows of resources:	
Accounts payable	241,652
Accrued liabilities	(4,985)
Customer deposits	16,850
Compensated absences	(9,876)
Net pension liability	202,800
Total OPEB liability	(8,163)
Deferred inflows of resources	(443)
Total adjustments	<u>402,256</u>
Net cash provided by operating activities	<u>\$ 821,607</u>

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City of Ovilla, Texas

Notes to the Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies

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

Description of the Government-wide Financial Statements

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

Reporting Entity

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

Discretely Presented Component Units

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2023

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

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2023

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

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

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

Measurement Focus and Basis of Accounting

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

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2023

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

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

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

Budgetary Policy and Control

Budgetary Basis of Accounting

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

City of Ovilla, Texas
Notes to the Financial Statements
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Continuing Appropriations

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

Cash and Cash Equivalents

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

Investments

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

Restricted Assets

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

Business-type Activities

Customer deposits	\$ 151,551
Bond construction account	4,134,453
Infrastructure impact fees	<u>4,001</u>
Total restricted assets	<u><u>\$ 4,290,005</u></u>

City of Ovilla, Texas
Notes to the Financial Statements
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Inventories

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

Lease Receivable

City leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines: (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital and Lease Assets

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

City of Ovilla, Texas

Notes to the Financial Statements

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The other property, plant, equipment, lease assets and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives, or the lease term, whichever is shorter:

Assets

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

Subscription Asset

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Lease Liability

The City is a lessee for a noncancelable lease of equipment. 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 or term of lease, whichever is shorter.

Key estimates and judgments related to leases include how the City determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

City of Ovilla, Texas
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The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription Liability

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

Unearned Revenue

In the business-type activities and enterprise fund, unearned revenue of \$500,789 represents intergovernmental monies received in advance as part of the Coronavirus State and Local Fiscal Recovery Funds program. The City will recognize revenue as qualifying expenses are incurred.

Compensated Absences

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

Long-term Obligations

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

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

Pensions

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

Defined Benefit Other Postemployment Benefit Plan

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

Deferred Outflows/Inflows of Resources

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

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized as a reduction of the pension and OPEB liabilities in the subsequent fiscal year-end.
- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

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

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

- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Deferred charge on refunding – A deferred charge refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Ovilla, Texas
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- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. In the General Fund, deferred inflows of resources consist of property taxes of \$49,077. In the Debt Service Fund, unavailable revenues consist of property taxes in the amount of \$8,349. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Leases – Represents the initial value of the lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease. This deferred inflow is recorded at both the fund level and government-wide financial statements.

Net Position

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

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

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

City of Ovilla, Texas
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Fund Balance Policies and Classifications

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either: (a) not in a spendable form or (b) are legally or contractually required to remain intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of formal action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City management based on the City Council's direction.
- Unassigned: This classification represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

Use of Estimates

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

Program and General Revenues

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

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

Property Taxes

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

City of Ovilla, Texas
Notes to the Financial Statements
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Adoption of New Accounting Standards

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses the gap in current accounting guidance related to public private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement. The adoption of this standard had no impact on the City.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes a single model for subscription-based information technology arrangements (SBITAs) accounting based on the principle that contracts are financings of the right to use an underlying information technology software asset. The standard requires recognition of certain right-to-use subscription assets and subscription liabilities. As a result of implementing this standard the City recognized right-to-use subscription assets and liabilities. The adoption of this standard had no impact on beginning net position. The additional disclosures required by this standard are included in *Notes 7 and 10*.

Note 2: Deposits and Investments

Deposits

At September 30, 2023, the carrying amount of the City's cash and cash equivalents (including certificates of deposit) was \$9,614,379 and the respective bank balances totaled \$9,655,730. At September 30, 2023, the carrying amount and respective bank balance of the Corporation's cash and cash equivalents was \$943,682. At September 30, 2023, the carrying amount and the respective bank balance of the District's cash and cash equivalents was \$148,902. Nonnegotiable certificates of deposit are carried at amortized cost.

Custodial Credit Risk

There is a risk that, in the event of a bank failure, the City's deposits may not be returned. Both the City's investment policy and the *Texas Public Funds Investment Act* requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City's name. As of September 30, 2023, the City and its discretely presented component units deposits and investments not insured through the FDIC were fully collateralized.

City of Ovilla, Texas

Notes to the Financial Statements

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Investment

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

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

Investment Pools

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

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

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

City of Ovilla, Texas

Notes to the Financial Statements

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Interest Rate Risk

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

Credit Risk

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

Fair Value of Investments

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

Level 1 Quoted prices for identical investments in active markets;

Level 2 Observable inputs other than those in Level 1; and

Level 3 Unobservable inputs.

The City has no investments that are required to be included in the fair value hierarchy at September 30, 2023.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	
Investments measured at net asset value			
TexSTAR	\$ 11,543	\$ 11,543	
Investments measured at amortized cost			
TexPool	342	342	
Nonnegotiable certificates of deposit	262,850	262,850	
Total investments	\$ 274,735	\$ 274,735	

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

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Notes to the Financial Statements
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Note 3: Property Taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100 percent of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected. Allocations of property tax levy by purpose for 2023 are as follows (amounts per \$100 assessed value):

Fund Type	2023	2022
General Fund	\$ 0.53518	\$ 0.52620
Debt Service Fund	0.09104	0.13380
Total	\$ 0.62622	\$ 0.66000

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

City of Ovilla, Texas
Notes to the Financial Statements
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Note 4: Receivables and Interfund Balances

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables (excluding leases which are discussed at *Note 6*) for the general, debt service, water and sewer fund, and nonmajor governmental funds, including the applicable allowances for uncollectible accounts:

Receivables	General	Debt Service	Street Maintenance	Water and Sewer	Total
Taxes	\$ 162,722	\$ 14,174	\$ 17,136	\$ -	\$ 194,032
Accounts	51,709	-	-	400,684	452,393
Less allowance for uncollectibles	<u>(39,352)</u>	<u>(5,670)</u>	<u>-</u>	<u>(19,229)</u>	<u>(64,251)</u>
Net receivables	<u>\$ 175,079</u>	<u>\$ 8,504</u>	<u>\$ 17,136</u>	<u>\$ 381,455</u>	<u>\$ 582,174</u>

Interfund Balances

The composition of interfund balances as of September 30, 2023, was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service	\$ 404
Park Impact	General Fund	335
General Fund	Water and Sewer Fund	26,567
Debt Service	Water and Sewer Fund	2,593
Water and Sewer Fund	Ovilla 4B Economic Development Corporation	3,369
General Fund	Ovilla 4B Economic Development Corporation	48,266
General Fund	Ovilla Municipal District Development	625

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

City of Ovilla, Texas
Notes to the Financial Statements
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Note 5: Interfund Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds. Transfers between funds for the year ended September 30, 2023, were as follows:

<u>Transfers in</u>	
<u>Debt Service</u>	
Transfers Out	
Water and sewer	\$ 60,250
Total transfers in	<u>\$ 60,250</u>

Transfers were primarily used to move funds from the Water and Sewer Fund to the Debt Service Fund for the payment of bonds.

Note 6: Lease Receivable

The City leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2024 through 2028. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City recognized \$129,892 in lease revenue and \$5,669 in interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the City receivable for lease payments was \$319,085. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2023, the balance of the deferred inflow of resources was \$766,121.

In the governmental activities and general fund, a portion of the deferred inflow of resources associated with these leases of \$464,546 represents monies received in advance related to a 35-year telecom easement the City granted during fiscal year 2018. The City is amortizing the balance over the life of the easement and will recognize revenue each year on a straight-line basis.

City of Ovilla, Texas
Notes to the Financial Statements
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The following is a schedule by year of minimum payments to be received under the City's leases that are included in the measurement of the lease receivable as of September 30, 2023:

Fiscal Year	Governmental Activities			Total
	Principal	Interest		
2024	\$ 95,036	\$ 3,335		\$ 98,371
2025	54,518	2,166		56,684
2026	59,226	1,466		60,692
2027	61,450	714		62,164
2028	48,855	160		49,015
	\$ 319,085	\$ 7,841		\$ 326,926

Note 7: Capital, Lease and Subscription Assets

Capital and leased asset activity for the year ended September 30, 2023, was as follows:

Governmental Activities	Balance	Additions	Sales/	Transfers	Balance
	Beginning		Disposals		End of
	of Year*				Year
Capital assets not being depreciated					
Land	\$ 397,763	\$ -	\$ -	\$ -	\$ 397,763
Construction in progress	16,750	13,660	-	(16,750)	13,660
Total capital assets not being depreciated	<u>414,513</u>	<u>13,660</u>	<u>-</u>	<u>(16,750)</u>	<u>411,423</u>
Capital lease and subscription assets being depreciated					
Buildings	1,619,004	-	-	-	1,619,004
Machinery and equipment	3,733,488	64,072	-	-	3,797,560
Equipment – right to use lease asset	33,420	-	-	-	33,420
Subscription asset	97,621	-	-	-	97,621
Infrastructure	4,571,885	39,011	-	16,750	4,627,646
Total capital assets being depreciated	<u>10,055,418</u>	<u>103,083</u>	<u>-</u>	<u>16,750</u>	<u>10,175,251</u>
Less accumulated depreciation and amortization					
Buildings	(313,927)	(69,872)	-	-	(383,799)
Machinery and equipment	(3,060,172)	(165,489)	-	-	(3,225,661)
Equipment – right to use lease asset	(5,013)	(6,684)	-	-	(11,697)
Subscription asset	-	(22,609)	-	-	(22,609)
Infrastructure	(895,198)	(171,989)	-	-	(1,067,187)
Total accumulated depreciation / amortization	<u>(4,274,310)</u>	<u>(436,643)</u>	<u>-</u>	<u>-</u>	<u>(4,710,953)</u>
Total capital assets being depreciated / amortized, net	<u>5,781,108</u>	<u>(333,560)</u>	<u>-</u>	<u>16,750</u>	<u>5,464,298</u>
Governmental activities capital lease and subscription, net	<u>\$ 6,195,621</u>	<u>\$ (319,900)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,875,721</u>

* Fiscal year 2022 amounts have been restated for GASB 96 adoption.

City of Ovilla, Texas
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	Balance Beginning of Year	Additions	Sales/ Disposals	Transfers	Balance End of Year
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 86,700	\$ -	\$ -	\$ -	\$ 86,700
Total capital assets not being depreciated	<u>86,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,700</u>
Capital assets being depreciated					
Buildings	119,104	-	-	-	119,104
Improvements	5,917,440	-	-	-	5,917,440
Machinery and equipment	921,926	-	-	-	921,926
Total capital assets being depreciated	<u>6,958,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,958,470</u>
Less accumulated depreciation					
Buildings	(44,625)	(3,012)	-	-	(47,637)
Improvements	(3,854,898)	(186,805)	-	-	(4,041,703)
Machinery and equipment	(288,045)	(52,779)	-	-	(340,824)
Total accumulated depreciation	<u>(4,187,568)</u>	<u>(242,596)</u>	<u>-</u>	<u>-</u>	<u>(4,430,164)</u>
Total capital assets being depreciated, net	<u>2,770,902</u>	<u>(242,596)</u>	<u>-</u>	<u>-</u>	<u>2,528,306</u>
Business-type activities capital assets, net	<u>\$ 2,857,602</u>	<u>\$ (242,596)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,615,006</u>

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

Governmental Activities

General government	\$ 42,452
Public safety	124,416
Streets	214,747
Culture and recreation	<u>55,028</u>
Total depreciation and amortization expense – governmental activities	<u>\$ 436,643</u>

Business-type Activities

Water and Sewer	<u>\$ 242,596</u>
Total depreciation expense – business-type activities	<u>\$ 242,596</u>

City of Ovilla, Texas
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Note 8: Long-term Debt

The following is a summary of the long-term debt activity for the year ended September 30, 2023:

	Balance Beginning of Year*	Borrowings/ Additions	Repayments/ Reductions	Balance End of Year	Due within One Year
Governmental Activities					
General obligation bonds	\$ 2,459,322	\$ -	\$ (393,826)	\$ 2,065,496	\$ 401,864
Lease liability	28,508	-	(6,574)	21,934	6,656
Subscription liability	97,621	-	(24,000)	73,621	20,864
Compensated absences	98,881	63,675	(59,969)	102,587	102,587
Total governmental activities	<u>2,684,332</u>	<u>63,675</u>	<u>(484,369)</u>	<u>2,263,638</u>	<u>531,971</u>
Business-type Activities					
General obligation refunding bonds	600,678	-	(96,174)	504,504	98,136
Notes payable	-	4,000,000	-	4,000,000	130,743
Compensated absences	17,096	12,100	(21,976)	7,220	7,220
Total business-type activities	<u>617,774</u>	<u>4,012,100</u>	<u>(118,150)</u>	<u>4,511,724</u>	<u>236,099</u>
Total primary government	<u><u>\$ 3,302,106</u></u>	<u><u>\$ 4,075,775</u></u>	<u><u>\$ (602,519)</u></u>	<u><u>\$ 6,775,362</u></u>	<u><u>\$ 768,070</u></u>

* Fiscal year 2022 amounts have been restated for GASB 96 adoption.

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

City of Ovilla, Texas
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General Obligation Bonds

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

Fiscal Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 401,864	\$ 25,406	\$ 98,136	\$ 6,205	\$ 531,611
2025	405,882	20,464	99,118	4,997	530,461
2026	413,920	15,472	101,080	3,778	534,250
2027	417,868	10,380	102,132	2,535	532,915
2028	425,962	5,240	104,038	1,279	536,519
	<u>\$ 2,065,496</u>	<u>\$ 76,962</u>	<u>\$ 504,504</u>	<u>\$ 18,794</u>	<u>\$ 2,665,756</u>

Notes Payable

As a result of exponential growth in and around Ovilla, Texas Department of Transportation (TxDOT) is in the process of improving the public transportation network in the area. Currently TxDOT is working on improvements and widening of FM 664/Ovilla Road. These improvements will be going through Ovilla and will affect Ovilla and its residents. With the expansion of the roadway, the City expects to see increased traffic and additional residential and commercial development along the roadway. As a result of the widening, the City will have to relocate existing water and wastewater transmission lines out from under the roadway.

City of Ovilla, Texas
Notes to the Financial Statements
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The estimated costs to relocate the lines is approximately \$4,000,000. During 2023, the City made application for and received a \$4,000,000 long-term loan from the State Infrastructure Bank to fund the relocations. The debt service requirements for the City's notes payable are as follows:

Fiscal Year	Business-type Activities	
	Principal	Interest
2024	\$ 130,743	\$ 170,400
2025	136,313	164,830
2026	142,120	159,023
2027	148,174	152,969
2028	154,486	146,657
2029-2033	876,936	628,779
2034-2038	1,080,331	425,385
2039-2043	<u>1,330,897</u>	<u>174,816</u>
	<u>\$ 4,000,000</u>	<u>\$ 2,022,859</u>

Note 9: Lease Liability

The City leases equipment from various third parties to conduct its operations, the terms of which expire in 2027. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2023, the value of the lease liability was \$21,934. Incremental borrowing rate of 1.23 percent was used to measure lease payables. The value of the right-to-use assets as of the end of the current fiscal year was \$33,420 and had accumulated amortization of \$11,697.

City of Ovilla, Texas
Notes to the Financial Statements
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The future principal and interest payments for lease liabilities as of September 30, 2023, are as follows:

Fiscal Year	Governmental Activities			Total
	Principal	Interest		
2024	\$ 6,656	\$ 232		\$ 6,888
2025	6,737	150		6,887
2026	6,821	66		6,887
2027	<u>1,720</u>	<u>4</u>		<u>1,724</u>
	<u>\$ 21,934</u>	<u>\$ 452</u>		<u>\$ 22,386</u>

Note 10: Subscription Liability

The City has subscription IT arrangements to conduct its operations, the terms of which expire 2025 through 2027. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

An initial subscription liability was recorded in the amount of \$97,621. As of September 30, 2023, the value of the subscription liabilities was \$73,621. An incremental borrowing rate of 4.26 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2023 was \$97,621 and had accumulated amortization of \$22,609.

The future principal and interest payments for subscription liabilities as of September 30, 2023, are as follows:

Fiscal Year	Governmental Activities			Total
	Principal	Interest		
2024	\$ 20,864	\$ 2,322		\$ 23,186
2025	21,752	1,398		23,150
2026	15,179	728		15,907
2027	<u>15,826</u>	<u>56</u>		<u>15,882</u>
	<u>\$ 73,621</u>	<u>\$ 4,504</u>		<u>\$ 78,125</u>

City of Ovilla, Texas
Notes to the Financial Statements
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Note 11: Defined Benefit Pension Plan

Plan Description

The City participates as one of 919 plans in the nontraditional, jointly contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<hr/> 30
	<hr/> 88
	<hr/>

City of Ovilla, Texas

Notes to the Financial Statements

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Contributions

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

Employees for the City were required to contribute 7 percent of their annual compensation during the fiscal year. The contribution rates for the City were 10.55 percent and 10.20 percent in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$199,167, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

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

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

City of Ovilla, Texas
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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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	<u>10.00%</u>	<u>11.80%</u>
	<u><u>100.00%</u></u>	

Discount Rate

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

City of Ovilla, Texas
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September 30, 2023

Changes in the Net Pension Liability

	Increase (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	
Balances at October 1, 2022	\$ 4,604,214	\$ 4,438,800	\$ 165,414	
Changes for the year:				
Service cost	289,131	-	289,131	
Interest (on the total pension liability)	315,885	-	315,885	
Difference between expected and actual experience	177,031	-	177,031	
Benefit payments, including refunds of employee contributions	(138,005)	(138,005)	-	
Administrative expense	-	(2,804)	2,804	
Contributions – member	-	140,407	(140,407)	
Contributions – employer	-	199,022	(199,022)	
Net investment income	-	(324,287)	324,287	
Other	-	3,346	(3,346)	
	<hr/>	<hr/>	<hr/>	
Net Changes	644,042	(122,321)	766,363	
Balances at September 30, 2023	<hr/>	<hr/>	<hr/>	
	\$ 5,248,256	\$ 4,316,479	\$ 931,777	

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

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

1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 1,739,798	\$ 931,777	\$ 271,358

Pension Plan Fiduciary Net Position

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2023

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

For the year ended September 30, 2023, the City recognized pension expense of \$351,098.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 186,283	\$ -
Difference between projected and actual investment earnings on pension plan investments	296,893	-
Changes of assumptions	-	-
Contributions subsequent to the measurement date	<u>154,865</u>	-
 Total	 <u>\$ 638,041</u>	 <u>\$ -</u>

\$154,865 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 107,284
2025	139,241
2026	111,873
2027	<u>124,778</u>
 Total	 <u>\$ 483,176</u>

Allocation of Pension Items

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

City of Ovilla, Texas
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Note 12: Postemployment Benefits Other Than Pensions

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<hr/> 30
	48
	<hr/> <hr/>

Benefit Payments

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

The City's total SDBF contribution rates were 0.28 and 0.18 percent for calendar year 2023 and 2022, respectively. The retiree portion of the total SDBF contribution rates for the City were 0.08 percent in both calendar year 2023 and 2022.

City of Ovilla, Texas
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Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry-Age Normal
Discount Rate	4.05% as of December 31, 2022 (1.84% as of December 31, 2021)
Inflation	2.50%
Salary Increase	3.50% to 11.50%, including inflation
Retirees' share of benefit related costs	\$0

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability as of December 31, 2022, was 4.05 percent, compared to 1.84 percent as of December 31, 2021. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2022.

City of Ovilla, Texas
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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at October 1, 2022	\$ 105,074
Changes for the year:	
Service cost	7,683
Interest (on the total OPEB liability)	1,990
Difference between expected and actual experience	(2,232)
Changes in assumptions or other inputs	(38,726)
Benefit payments	(1,499)
Balance at September 30, 2023	<u>\$ 72,290</u>

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 4.05 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05 percent) or 1-percentage-point higher (5.05 percent) than the current rate:

1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
\$ 87,063	\$ 72,290	\$ 60,761

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$8,100.

City of Ovilla, Texas
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September 30, 2023

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 4,029	\$ 3,766
Changes of assumptions	15,579	34,067
Contributions subsequent to the measurement date	<u>4,110</u>	-
Total	<u>\$ 23,718</u>	<u>\$ 37,833</u>

\$4,110 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (1,573)
2025	(2,094)
2026	(977)
2027	(3,739)
2028	(5,682)
Thereafter	<u>(4,160)</u>
	<u>\$ (18,225)</u>

Allocation of OPEB Items

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2023

Note 13: Commitments, Contingencies, and Uncertainties

Commitments

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

Expenses incurred for the year ended September 30, 2023 were \$698,802.

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

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

Expenses incurred for the year ended September 30, 2023 were \$420,553.

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

Expenses incurred for the year ended September 30, 2023 were \$367,101.

Contingencies

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

City of Ovilla, Texas
Notes to the Financial Statements
September 30, 2023

Risk Management

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

Required Supplementary Information

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City of Ovilla, Texas
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	
	Original	Final		Positive (Negative)	
Revenues					
Property tax	\$ 2,794,330	\$ 2,794,330	\$ 2,729,847	\$ (64,483)	
Sales tax	358,000	358,000	450,530	92,530	
Franchise tax	175,000	175,000	193,002	18,002	
Licenses and permits	249,435	249,435	171,403	(78,032)	
Fines and forfeitures	134,675	134,675	138,274	3,599	
Charges for services	789,687	789,687	811,115	21,428	
Miscellaneous	158,000	158,000	193,602	35,602	
Intergovernmental	-	-	27,378	27,378	
Contributions and donations	12,000	12,000	108	(11,892)	
Investment income	25,000	25,000	52,622	27,622	
Total revenues	4,696,127	4,696,127	4,767,881	71,754	
Expenditures					
Current:					
General government	1,115,656	1,115,656	1,151,075	(35,419)	
Public safety	2,258,360	2,258,360	2,201,005	57,355	
Streets	309,100	309,100	289,912	19,188	
Cultural and recreational	464,175	464,175	182,169	282,006	
Solid waste	313,500	313,500	367,101	(53,601)	
Debt service:					
Principal	-	-	30,574	(30,574)	
Capital outlay	265,103	265,103	-	265,103	
Total expenditures	4,725,894	4,725,894	4,221,836	504,058	
Excess (deficiency) of revenues over (under) expenditures	(29,767)	(29,767)	546,045	575,812	
Other Financing Sources (Uses)					
Insurance proceeds	-	-	38,633	38,633	
Sale of capital assets	-	-	30,875	30,875	
Transfers in	7,500	7,500	-	(7,500)	
Total other financing sources (uses), net	7,500	7,500	69,508	62,008	
Net changes in fund balances	(22,267)	(22,267)	615,553	637,820	
Fund Balances, Beginning of Year	368,407	368,407	368,407	-	
Fund Balances, End of Year	\$ 346,140	\$ 346,140	\$ 983,960	\$ 637,820	

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

	Measurement Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability									
Service cost	\$ 133,126	\$ 152,418	\$ 169,345	\$ 186,109	\$ 196,139	\$ 206,345	\$ 227,874	\$ 272,492	\$ 289,131
Interest (on the total pension liability)	131,163	146,343	158,406	178,592	199,433	225,012	246,441	277,281	315,885
Difference between expected and actual experience	30,618	(33,064)	40,946	38,596	99,321	(14,448)	72,513	131,145	177,031
Change in assumptions	-	68,368	-	-	-	17,779	-	-	-
Benefit payments, including refunds of employee contributions	(73,514)	(101,887)	(70,894)	(85,146)	(113,964)	(128,138)	(127,831)	(96,657)	(138,005)
Net Change in Total Pension Liability	221,393	232,178	297,803	318,151	380,929	306,550	418,997	584,261	644,042
Total Pension Liability – Beginning	1,843,952	2,065,345	2,297,523	2,595,326	2,913,477	3,294,406	3,600,956	4,019,953	4,604,214
Total Pension Liability – Ending (a)	\$ 2,065,345	\$ 2,297,523	\$ 2,595,326	\$ 2,913,477	\$ 3,294,406	\$ 3,600,956	\$ 4,019,953	\$ 4,604,214	\$ 5,248,256
Plan Fiduciary Net Position									
Contributions – employer	\$ 65,545	\$ 87,584	\$ 93,871	\$ 113,088	\$ 136,171	\$ 129,665	\$ 148,148	\$ 172,325	\$ 199,022
Contributions – employee	94,459	69,779	75,265	82,978	99,975	94,654	105,497	124,102	140,407
Net investment income	107,420	3,054	143,377	327,413	(83,870)	438,791	255,845	489,139	(324,287)
Benefit payments, including refunds of employee contributions	(73,514)	(101,887)	(70,894)	(85,146)	(113,964)	(128,138)	(127,831)	(96,657)	(138,005)
Administrative expense	(1,121)	(1,861)	(1,623)	(1,700)	(1,623)	(2,481)	(1,656)	(2,263)	(2,804)
Other	(92)	(92)	(87)	(86)	(84)	(75)	(65)	15	3,346
City's Net change in Plan Fiduciary Net Position	192,697	56,577	239,909	436,547	36,604	532,416	379,938	686,661	(122,321)
Plan Fiduciary Net Position – Beginning	1,877,451	2,070,148	2,126,725	2,366,634	2,803,181	2,839,785	3,372,201	3,752,139	4,438,800
Plan Fiduciary Net Position – Ending (b)	\$ 2,070,148	\$ 2,126,725	\$ 2,366,634	\$ 2,803,181	\$ 2,839,785	\$ 3,372,201	\$ 3,752,139	\$ 4,438,800	\$ 4,316,479
City's Net Pension Liability (Asset) – Ending (a) – (b)	\$ (4,803)	\$ 170,798	\$ 228,692	\$ 110,296	\$ 454,621	\$ 228,755	\$ 267,814	\$ 165,414	\$ 931,777
Plan Fiduciary Net Position as a Percentage	100.23%	92.57%	91.19%	96.21%	86.20%	93.65%	93.34%	96.41%	82.25%
Covered Payroll	\$ 955,646	\$ 996,849	\$ 1,075,213	\$ 1,185,406	\$ 1,272,801	\$ 1,352,193	\$ 1,507,100	\$ 1,772,884	\$ 1,873,826
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-0.50%	17.13%	21.27%	9.30%	35.72%	16.92%	17.77%	9.33%	49.73%

Other Information:

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

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

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

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Actuarially determined contribution	\$ 76,327	\$ 90,963	\$ 108,758	\$ 119,502	\$ 131,837	\$ 139,428	\$ 175,591	\$ 188,460	\$ 199,167	
Contribution in relation of the actuarially determined contribution	<u>76,327</u>	<u>90,963</u>	<u>108,758</u>	<u>119,502</u>	<u>131,837</u>	<u>139,428</u>	<u>175,591</u>	<u>188,460</u>	<u>199,167</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 955,673	\$ 1,040,711	\$ 1,166,120	\$ 1,231,768	\$ 1,368,217	\$ 1,404,914	\$ 1,801,336	\$ 1,867,795	\$ 1,901,398	
Contributions as a percentage of covered payroll	7.99%	8.74%	9.33%	9.70%	9.64%	9.92%	9.75%	10.09%	10.47%	

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Nominal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality

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

Other Information:

Notes

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

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

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

	Measurement Year						
	2017	2018	2019	2020	2021	2022	
Total OPEB Liability:							
Service cost	\$ 3,083	\$ 3,818	\$ 3,380	\$ 4,823	\$ 7,623	\$ 7,683	
Interest (on the Total OPEB Liability)	1,782	1,864	1,907	1,932	1,909	1,990	
Difference between expected and actual experience	-	(6,229)	916	5,148	1,297	(2,232)	
Change in assumptions	4,343	(3,799)	12,356	12,915	3,420	(38,726)	
Benefit payments, including refunds of employee contributions	(356)	(382)	(406)	(452)	(1,596)	(1,499)	
Net Change in Total OPEB Liability	8,852	(4,728)	18,153	24,366	12,653	(32,784)	
Total OPEB Liability – Beginning	45,778	54,630	49,902	68,055	92,421	105,074	105,074
Total OPEB Liability – Ending	\$ 54,630	\$ 49,902	\$ 68,055	\$ 92,421	\$ 105,074	\$ 72,290	
Covered Employee Payroll	\$ 1,185,406	\$ 1,272,801	\$ 1,352,193	\$ 1,507,100	\$ 1,772,884	\$ 1,872,798	
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	4.61%	3.92%	5.03%	6.13%	5.93%	3.86%	

Notes to Schedule:

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

Changes of Benefit Terms: None

Changes of Assumptions:

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

2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%

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

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

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City of Ovilla, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Debt Service Fund
Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
				
Revenues				
Property tax	\$ 267,864	\$ 267,864	\$ 465,354	\$ 197,490
Investment income	5	5	-	(5)
Total revenues	<u>267,869</u>	<u>267,869</u>	<u>465,354</u>	<u>197,485</u>
Expenditures				
Debt service:				
Principal retirement	490,000	490,000	393,826	96,174
Interest and fiscal charges	47,158	47,158	30,650	16,508
Total expenditures	<u>537,158</u>	<u>537,158</u>	<u>424,476</u>	<u>112,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(269,289)</u>	<u>(269,289)</u>	<u>40,878</u>	<u>310,167</u>
Other Financing Sources (Uses)				
Transfers in	103,575	103,575	60,250	43,325
Total other financing sources (uses), net	<u>103,575</u>	<u>103,575</u>	<u>60,250</u>	<u>43,325</u>
Net changes in fund balances	<u>(165,714)</u>	<u>(165,714)</u>	<u>101,128</u>	<u>353,492</u>
Fund Balances, Beginning of Year	<u>568,267</u>	<u>568,267</u>	<u>568,267</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 402,553</u>	<u>\$ 402,553</u>	<u>\$ 669,395</u>	<u>\$ 353,492</u>

City of Ovilla, Texas
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget to Actual – Water and Sewer Fund
Year Ended September 30, 2023

	Budgeted Amounts		Actual		Variance with Final Budget	
	Original		Final		Amounts	
Operating Revenues						
Water sales	\$ 1,157,199	\$ 1,157,199	\$ 1,341,999	\$ 1,341,999	\$ 184,800	
Sewer service charges	527,200	527,200	663,020	663,020	135,820	
Impact fees	53,000	53,000	137,409	137,409	84,409	
Infrastructure improvement fees	-	-	95,801	95,801	95,801	
Miscellaneous	68,750	68,750	340,962	340,962	272,212	
Total revenues	1,806,149	1,806,149	2,579,191	2,579,191	773,042	
Operating Expenses						
Water administration	428,905	428,905	282,460	282,460	146,445	
Water	780,522	780,522	987,253	987,253	(206,731)	
Sewer	596,772	596,772	647,531	647,531	(50,759)	
Depreciation	-	-	242,596	242,596	(242,596)	
Total expenditures	1,806,199	1,806,199	2,159,840	2,159,840	(353,641)	
Operating income (loss)	(50)	(50)	419,351	419,351	419,401	
Nonoperating Revenues (Expenses)						
Investment earnings	50	50	289	289	239	
Interest expense	-	-	(7,010)	(7,010)	(7,010)	
Total nonoperating revenues (expenses)	50	50	(6,721)	(6,721)	(6,771)	
Income before transfers, net	-	-	412,630	412,630	412,630	
Transfers out	-	-	(60,250)	(60,250)	(60,250)	
Transfers, net	-	-	(60,250)	(60,250)	(60,250)	
Change in Net Position	-	-	352,380	352,380	352,380	
Net Position, Beginning of Year	4,406,343	4,406,343	4,406,343	4,406,343	-	
Net Position, End of Year	\$ 4,406,343	\$ 4,406,343	\$ 4,758,723	\$ 4,758,723	\$ 352,380	

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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City of Ovilla, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2023

	Fire Department Auxiliary Fund	Park Impact Fees Fund	Police Department Special Fund	Court Technology Fund	Court Security Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 3,590	\$ 39,499	\$ 1,965	\$ 13,922	\$ 32,318	\$ 91,294
Receivables	-	-	-	-	-	-
Due from other funds	-	335	-	-	-	335
Total assets	<u>3,590</u>	<u>39,834</u>	<u>1,965</u>	<u>13,922</u>	<u>32,318</u>	<u>91,629</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund Balances						
Restricted						
Public safety	3,590	-	1,965	13,922	32,318	51,795
Cultural and recreational	-	39,834	-	-	-	39,834
Streets	-	-	-	-	-	-
Total fund balances	<u>3,590</u>	<u>39,834</u>	<u>1,965</u>	<u>13,922</u>	<u>32,318</u>	<u>91,629</u>
Total liabilities and fund balances	<u>\$ 3,590</u>	<u>\$ 39,834</u>	<u>\$ 1,965</u>	<u>\$ 13,922</u>	<u>\$ 32,318</u>	<u>\$ 91,629</u>

City of Ovilla, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	Fire Department Auxiliary Fund	Park Impact Fees Fund	Police Department Special Fund	Court Technology Fund	Court Security Fund	Total Nonmajor Governmental Funds
Revenues						
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 4,339	\$ 4,242	\$ 8,581
Special assessment	-	7,694	-	-	-	7,694
Total revenues	-	7,694	-	4,339	4,242	16,275
Expenditures						
Public safety	-	1,514	-	2,000	725	4,239
Capital outlay	-	16,007	-	-	-	16,007
Total expenditures	-	17,521	-	2,000	725	20,246
Excess (deficiency) of revenues over (under) expenditures	-	(9,827)	-	2,339	3,517	(3,971)
Other Financing Sources (Uses)						
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	-	(9,827)	-	2,339	3,517	(3,971)
Fund Balances, Beginning of Year	3,590	49,661	1,965	11,583	28,801	95,600
Fund Balances, End of Year	\$ 3,590	\$ 39,834	\$ 1,965	\$ 13,922	\$ 32,318	\$ 91,629

Discretely Presented Component Units

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

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

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City of Ovilla, Texas
Balance Sheet/Statement of Net Position
Discretely Presented Component Units
September 30, 2023

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
Assets		
Cash and cash equivalents	\$ 943,682	\$ 148,902
Receivables	<u>34,271</u>	<u>20,445</u>
Total assets	<u><u>977,953</u></u>	<u><u>169,347</u></u>
Liabilities		
Accounts payable	6,761	4,450
Due to primary government	<u>51,635</u>	<u>625</u>
Total liabilities	<u><u>58,396</u></u>	<u><u>5,075</u></u>
Fund Balances/Net Position		
Restricted:		
Economic development	919,557	-
Municipal development	<u>-</u>	<u>164,272</u>
Total fund balances/net position	<u><u>919,557</u></u>	<u><u>164,272</u></u>
Total liabilities and fund balances/net position	<u><u>\$ 977,953</u></u>	<u><u>\$ 169,347</u></u>

City of Ovilla, Texas
Statement of Revenues, Expenditures, and Changes
in Fund Balances/Net Position
Discretely Presented Component Units
For the Year Ended September 30, 2023

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
Revenues		
Sales tax	\$ 225,265	\$ 128,707
Interest income	6,601	6,127
 Total revenues	 231,866	 134,834
Expenditures		
Economic development	77,594	-
Municipal development	-	41,523
 Total expenditures	 77,594	 41,523
 Excess of revenues over expenditures	 154,272	 93,311
 Net change in fund balances	 154,272	 93,311
Fund Balances/Net Position, Beginning of Year	 765,285	 70,961
Fund Balances/Net Position, End of Year	 \$ 919,557	 \$ 164,272