

CITY OF BERRYVILLE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor Hewlett and
 Members of the City Council
 City of Berryville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Berryville, Texas, as of and for the year ended June 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.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the “Basis for Disclaimer of Opinion” paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities, business-type activities, and water fund information.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Governmental Activities, Business-type Activities, and the Water Fund Statements" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-type Activities	Disclaimer
General Fund	Unmodified
Street Project Fund	Unmodified
Volunteer Fire Dept. Fund	Unmodified
Water Fund	Disclaimer
Sanitation Fund	Unmodified

Basis for Disclaimer of Opinion on the Governmental Activities, Business-type Activities, and the Water Fund Statements

The City was unable to obtain sufficient evidence to support historical transactions relating to capital assets reported in governmental and business-type activities of the accompanying financial statements and notes. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the capital assets balances as of June 30, 2023, and the related effects of depreciation on the statement of activities and water fund statement of net position. Consequently, we were unable to determine whether any adjustment to these amounts was necessary. The total unaudited capital assets balance, as reported in the accompanying government-wide statement of net position and proprietary funds statement of net position is \$1,995,941 and \$1,423,720, respectively. The total depreciation reported in the government-wide statement of activities and proprietary statement of activities is \$134,565 and \$74,408, respectively.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Governmental Activities, Business-type Activities, and the Water Fund Statements” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, business-type activities, and the water fund of the City of Berryville, Texas. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, street project fund, volunteer fire department fund, and sanitation fund of the City of Berryville, Texas, as of June 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 3 through 8, budgetary comparison information on pages 41 through 42, schedule of contributions - pension on page 43, schedule of changes in net pension liability and related ratios on page 44, schedule of contributions - OPEB on page 45, and schedule of changes in total OPEB liability and related ratios on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024 on our consideration of the City of Berryville, Texas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Berryville, Texas’ internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Berryville, Texas’ internal control over financial reporting and compliance.



Frank Campos & Associates, PLLC
Palestine, Texas
October 28, 2024

**CITY OF BERRYVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

This section of the City of Berryville, Texas' (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2023. This information should be considered along with the enclosed financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total combined net position was \$2,012,115 at June 30, 2023. Of this amount, \$400,658 (unrestricted net position) may be used to meet the government's ongoing operations.
- The City's total unrestricted net position increased by \$20,073.
- The total cost of City programs for the year decreased by \$65,997 from the prior year.
- The General Fund balance at June 30, 2023 was \$3,855, which is a decrease of \$821 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's overall financial status.

The first of these, the **Statement of Net Position**, presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

The second statement, the **Statement of Activities**, presents information showing how the City's net position changed during the fiscal year.

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. This is commonly referred to as the full accrual basis and economic resources focus. Revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the government-wide financial statements identify functions of the City that are (1) principally supported by taxes and intergovernmental revenues (governmental activities) and (2) those intended to recover all or a significant portion of their costs through use of fees and charges (business-type activities). The governmental activities of the City include the basic services of general government, public safety, community services, and community development. The business-type activities include water and sanitation services.

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 and objectives. The City uses fund accounting to ensure compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are established to comply with legal or bond covenants and to identify specific sources and uses of funds for particular purposes.

All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

- Governmental Funds – Used to account for the City’s basic services. The focus is on (1) how cash and other financial assets that can readily be converted into cash flow in and out, and (2) the balances left at year-end that are available for future spending. This is a short-term view of the resources that the City has to finance future City operations and programs. The governmental fund financial statements provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The City has three governmental funds. The General Fund, Street Project Fund, and Volunteer Fire Department Fund are considered major funds and information is presented separately; the City of Berryville does not have any nonmajor governmental funds.

- Proprietary Funds – Used to account for the City’s business-type activities where the City charges customers a fee for services. The primary business activity is reported in enterprise funds used to account for water (sewer) and sanitation (garbage).

The proprietary fund financial statements provide separate information for the Water and Sanitation Funds since each is considered a major proprietary fund.

Notes to the Financial Statements

The notes provide additional information that is essential to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the statements and notes referred to above, this report also presents certain required supplementary information concerning the City.

FINANCIAL ANALYSIS OF THE CITY – GOVERNMENT-WIDE

Net Position

Net position may serve, over a period of time, as a useful indicator of the City’s financial position. At June 30, 2023, net position (the amount by which assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources) was \$2,012,115.

The largest portion of the City’s net position, 78% (\$1,560,005), reflects its investments in capital assets such as land, buildings, equipment, infrastructure, and construction in progress, less any outstanding debt used to finance these improvements. These assets are used to provide City services and thus are not a source of funding for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay off the remaining debt must be provided from other sources.

The following table provides a summary of the City's net position at June 30, 2023 and 2022:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 58,261	\$ 34,987	\$ 630,799	\$ 538,479	\$ 689,060	\$ 573,466
Capital assets	572,221	632,378	1,423,720	1,341,605	1,995,941	1,973,983
Total assets	630,482	667,365	2,054,519	1,880,084	2,685,001	2,547,449
Deferred outflows	8,740	2,437	22,471	6,265	31,211	8,702
Long-term liabilities	6,633	17,945	448,109	505,394	454,742	523,339
Other liabilities	2,954	6,579	219,456	141,534	222,410	148,113
Total liabilities	9,587	24,524	667,565	646,928	677,152	671,452
Deferred inflows	7,546	6,881	19,399	17,699	26,945	24,580
Net position:						
Invested in capital assets, net of related debt	570,854	620,444	989,151	843,626	1,560,005	1,464,070
Restricted	51,452	15,464	-	-	51,452	15,464
Unrestricted	(217)	2,489	400,875	378,096	400,658	380,585
Total net position	\$ 622,089	\$ 638,397	\$ 1,390,026	\$ 1,221,722	\$ 2,012,115	\$ 1,860,119

The City reported positive balances in net position for both governmental and business-type activities. Net position decreased by \$16,308 for governmental funds and increased by \$168,304 for business-type activities. The City's overall financial position increased \$151,996 during the fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

Changes in Net Position - Analysis of Operations

The City's total revenue for the 2023 fiscal year was \$842,845, a \$208,807 decrease compared to 2022 fiscal year total revenue. The largest revenue category was charges for services, which amounted to \$572,096, 68% of total revenues.

Total cost of all programs and services of the City amounted to \$690,849, a \$65,997 decrease from 2022 costs. The largest expense was the business activity, water, with a total cost of \$397,618. The City's expenses cover a range of services, including general government, public safety, community services, community development, and sanitation.

The following table provides a summary of the City's operations for the year ended June 30, 2023 and 2022:

Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 572,096	\$ 569,151	\$ 572,096	\$ 569,151
Grants and contributions	30,212	254,582	132,083	132,083	162,295	386,665
General revenues						
Road repair fees	35,400	34,805	-	-	35,400	34,805
Franchise taxes	27,286	24,534	-	-	27,286	24,534
Sales taxes	37,745	32,577	-	-	37,745	32,577
Investment earnings	102	46	357	106	459	152
Other	7,564	3,768	-	-	7,564	3,768
Total revenues	<u>138,309</u>	<u>350,312</u>	<u>704,536</u>	<u>701,340</u>	<u>842,845</u>	<u>1,051,652</u>
Expenses:						
General government	115,144	87,373	-	-	115,144	87,373
Public safety	24,499	30,132	-	-	24,499	30,132
Community services	9,818	8,898	-	-	9,818	8,898
Community development	43,595	106,089	-	-	43,595	106,089
Water	-	-	397,618	426,262	397,618	426,262
Sanitation	-	-	100,175	98,092	100,175	98,092
Total expenses	<u>193,056</u>	<u>232,492</u>	<u>497,793</u>	<u>524,354</u>	<u>690,849</u>	<u>756,846</u>
Increase (decrease) in net position	(54,747)	117,820	206,743	176,986	151,996	294,806
Transfers	<u>38,439</u>	<u>17,409</u>	<u>(38,439)</u>	<u>(17,409)</u>	<u>-</u>	<u>-</u>
Change in net position	(16,308)	135,229	168,304	159,577	151,996	294,806
Net position, beginning	<u>638,397</u>	<u>503,168</u>	<u>1,221,722</u>	<u>1,062,145</u>	<u>1,860,119</u>	<u>1,565,313</u>
Net position, ending	<u>\$ 622,089</u>	<u>\$ 638,397</u>	<u>\$ 1,390,026</u>	<u>\$ 1,221,722</u>	<u>\$ 2,012,115</u>	<u>\$ 1,860,119</u>

Governmental Activities

Revenues for the City's governmental activities amounted to \$138,309, a 61% decrease. The largest revenue category in governmental activities' general revenues is sales tax revenues of \$37,745, 27% of total governmental activities revenue and the largest revenue category in program activities is grants and contributions of \$30,212. The remaining revenues are program revenues that consist of charges for services as well as general revenues which consist of franchise taxes, road repair fees, investment earnings, and other totaling \$70,352, an 11% increase from 2022.

The cost of all governmental activities was \$193,056, a 17% decrease. However, the amount that our taxpayers ultimately financed for these activities through City taxes was \$162,844 because some of the cost was paid directly by operating grants and contributions (\$30,212). The City's governmental net position decreased \$16,308, leaving a balance of \$622,089 at yearend.

Business-type Activities

Total revenues for business-type activities were \$704,536, a 0.5% increase. Charges for services of \$572,096 were 81% of total business-type activities revenue. The remaining revenue was grants and contributions of \$132,083 and investment earnings totaling \$357. Total expenses in producing revenues were \$497,793, a 5% decrease resulting in a net operating gain of \$206,743. Change in net position amounted to an increase of \$168,304, which includes transfers to other funds of \$38,439.

FINANCIAL ANALYSIS OF THE CITY - GOVERNMENTAL FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financial condition and financing requirements. In particular, unassigned fund balances may serve as a useful measure of the government's net resources available for spending in the fiscal year.

At June 30, 2023, the governmental funds reported a combined ending fund balance of \$55,307. Of this, \$34,991 is reported as restricted for street repairs and \$16,461 is restricted for the volunteer fire department, leaving \$3,855 in unassigned fund balance.

General Fund Budgetary Highlights

Actual general fund results were \$38,997 more than budgeted (revenues over by \$9,120; expenditures over by \$7,684; and other financing sources over by \$37,561).

CAPITAL ASSETS

The investment in capital assets for governmental and business-type activities as of June 30, 2023 amounts to \$1,995,941 net of accumulated depreciation. This represents an increase of \$21,958 from the prior year.

Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Buildings	\$ 808,841	\$ 808,841	\$ 135,586	\$ 135,586	\$ 944,427	\$ 944,427
Machinery and equipment	384,120	384,120	690,171	690,171	1,074,291	1,074,291
Infrastructure	626,317	626,317	2,041,433	1,864,185	2,667,750	2,490,502
Right-to-use leased equipment	-	-	24,032	24,032	24,032	24,032
Construction-in-progress	-	-	-	20,725	-	20,725
Total capital assets	1,819,278	1,819,278	2,891,222	2,734,699	4,710,500	4,553,977
Less accumulated depreciation	1,247,057	1,186,900	1,467,502	1,393,094	2,714,559	2,579,994
Total capital assets, net	\$ 572,221	\$ 632,378	\$ 1,423,720	\$ 1,341,605	\$ 1,995,941	\$ 1,973,983

Major capital additions during the year include:

Completed water line project 143,473

DEBT ADMINISTRATION

At the end of the current fiscal year, the City's long-term obligations were comprised of the following:

Long-term Obligations

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Notes Payable	\$ 1,367	\$ 11,934	\$ -	\$ -	\$ 1,367	\$ 11,934
Certificate of Obligation	-	-	429,894	477,254	429,894	477,254
Lease Payable	-	-	4,675	12,685	4,675	12,685
	<u>\$ 1,367</u>	<u>\$ 11,934</u>	<u>\$ 434,569</u>	<u>\$ 489,939</u>	<u>\$ 435,936</u>	<u>\$ 501,873</u>

Governmental Activities

The City paid \$16,887 in principal payments, \$289 in interest payments, and refinanced their balloon payment of \$7,576. The total balance of governmental notes payable at yearend was \$1,367.

Business-type Activities

The City paid \$55,370 in principal payments and \$13,764 in interest payments. The total balance of bonds and leases payable at yearend was \$434,569.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2023-2024 budget was approved by Berryville's City Council on or before June 30, 2023. Revenues for general fund operations are projected to increase by \$480 compared to the current fiscal year's actual results. Total budgeted expenditures for general fund are projected to increase by \$11,662 compared to current year's actual results, resulting in a projected decrease in fund balance of \$49,564. Water and sanitation rates have not been changed.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact Mayor Sue Morgan, P.O. Box 908, Frankston, Texas 75763; or call 903-876-3763.

CITY OF BERRYVILLE, TEXAS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 66,024	\$ 183,005	\$ 249,029
Cash and cash equivalents (restricted)	75,602	277,697	353,299
Receivables, net	8,415	71,091	79,506
Prepaid expenses	2,702	4,524	7,226
Internal balances	(94,482)	94,482	-
Noncurrent assets:			
Capital assets:			
Depreciable, net	572,221	1,423,720	1,995,941
Total Assets	<u>630,482</u>	<u>2,054,519</u>	<u>2,685,001</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	93	239	332
Deferred outflows related to pension	8,647	22,232	30,879
Total Deferred Outflows of Resources	<u>8,740</u>	<u>22,471</u>	<u>31,211</u>
LIABILITIES			
Accrued liabilities	2,954	125,572	128,526
Customer deposits payable	-	93,884	93,884
Noncurrent liabilities			
Long-term liabilities - current portion	1,367	53,327	54,694
Long-term liabilities - noncurrent portion	5,266	394,782	400,048
Total Liabilities	<u>9,587</u>	<u>667,565</u>	<u>677,152</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	4,348	11,175	15,523
Deferred inflows related to OPEB	3,198	8,224	11,422
Total Deferred Inflows of Resources	<u>7,546</u>	<u>19,399</u>	<u>26,945</u>
Total Deferred Inflows of Resources and Liabilities	<u>17,133</u>	<u>686,964</u>	<u>704,097</u>
NET POSITION			
Net investment in capital assets	570,854	989,151	1,560,005
Restricted for public safety	16,461	-	16,461
Restricted for street projects	34,991	-	34,991
Unrestricted	(217)	400,875	400,658
Total Net Position	<u>\$ 622,089</u>	<u>\$ 1,390,026</u>	<u>\$ 2,012,115</u>

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 115,144	\$ -	\$ 150	\$ -
Public safety	24,499	-	30,062	-
Community services	9,818	-	-	-
Community development	43,595	-	-	-
Total Governmental Activities	<u>193,056</u>	<u>-</u>	<u>30,212</u>	<u>-</u>
Business-type Activities				
Water and wastewater	397,618	455,463	-	132,083
Sanitation	100,175	116,633	-	-
Total Business-type Activities	<u>497,793</u>	<u>572,096</u>	<u>-</u>	<u>132,083</u>
Total Primary Government	<u>\$ 690,849</u>	<u>\$ 572,096</u>	<u>\$ 30,212</u>	<u>\$ 132,083</u>

General Revenues:
 Road repair fees
 Franchise taxes
 Sales taxes
 Other income
 Investment earnings
Transfers in (out)
 Total General Revenues and Transfers
 Change in Net Position
Net Position - beginning of year
Net Position - end of year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business- type Activities	Total
\$ (114,994)	\$ -	\$ (114,994)
5,563	-	5,563
(9,818)	-	(9,818)
(43,595)	-	(43,595)
(162,844)	-	(162,844)
-	189,928	189,928
-	16,458	16,458
-	206,386	206,386
\$ (162,844)	\$ 206,386	\$ 43,542
\$ 35,400	\$ -	\$ 35,400
27,286	-	27,286
37,745	-	37,745
7,564	-	7,564
102	357	459
38,439	(38,439)	-
146,536	(38,082)	108,454
(16,308)	168,304	151,996
638,397	1,221,722	1,860,119
\$ 622,089	\$ 1,390,026	\$ 2,012,115

CITY OF BERRYVILLE, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2023

	<u>General Fund</u>	<u>Street Project Fund</u>	<u>Vol. Fire Department Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 66,024	\$ -	\$ -	\$ 66,024
Cash and cash equivalents, restricted	71	55,740	19,791	75,602
Franchise tax receivable	2,131	-	-	2,131
Due from other governments	6,284	-	-	6,284
Prepaid expenses	1,824	143	735	2,702
Total Assets	<u>\$ 76,334</u>	<u>\$ 55,883</u>	<u>\$ 20,526</u>	<u>\$ 152,743</u>
LIABILITIES				
Accounts payable	\$ 1,156	\$ -	\$ 1,798	\$ 2,954
Interfund payable	71,323	20,892	2,267	94,482
Total Liabilities	<u>72,479</u>	<u>20,892</u>	<u>4,065</u>	<u>97,436</u>
FUND BALANCES				
Restricted for:				
Volunteer fire department	-	-	16,461	16,461
Street repairs	-	34,991	-	34,991
Unassigned	3,855	-	-	3,855
Total Fund Balances	<u>3,855</u>	<u>34,991</u>	<u>16,461</u>	<u>55,307</u>
Total Liabilities and Fund Balance	<u>\$ 76,334</u>	<u>\$ 55,883</u>	<u>\$ 20,526</u>	<u>\$ 152,743</u>

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2023

Total fund balances - governmental funds balance sheet	\$ 55,307
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	572,221
Governmental funds report all pension payments as expenditures. However, in the government-wide statement of net position, the pension asset or liability is actuarially determined. These are the amounts of the related accounts:	
Deferred outflows of resources related to pension	8,647
Deferred inflows of resources related to pension	(4,348)
Net pension liability	(430)
Governmental funds report all other post employment benefit (OPEB) payments as expenditures. However, in the government-wide statement of net position, the OPEB asset or liability is actuarially determined. These are the amounts of the related accounts:	
Deferred outflows of resources related to OPEB	93
Deferred inflows of resources related to OPEB	(3,198)
Total OPEB liability	(4,836)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Noncurrent liabilities due in one year	(1,367)
Noncurrent liabilities due in more than one year	<u>-</u>
Total net position of governmental activities - statement of net position	<u>\$ 622,089</u>

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Street Project Fund	Vol. Fire Department Fund	Total Governmental Funds
Revenue				
Sales taxes	\$ 37,745	\$ -	\$ -	\$ 37,745
Road repair fees	-	35,400	-	35,400
Franchise taxes	27,286	-	-	27,286
Other	7,564	-	-	7,564
Donations	150	-	30,062	30,212
Interest income	63	36	3	102
Total Revenues	72,808	35,436	30,065	138,309
Expenditures				
Current:				
General government	108,189	-	-	108,189
Public safety	155	-	18,950	19,105
Community services	1,406	-	-	1,406
Community development	-	1,841	-	1,841
Debt Service:				
Principal	1,256	-	9,311	10,567
Interest	184	-	289	473
Total Expenditures	111,190	1,841	28,550	141,581
Excess (deficiency) of revenues over (under) expenditures	(38,382)	33,595	1,515	(3,272)
Other Financing Sources (Uses)				
Transfer in	37,561	143	735	38,439
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	37,561	143	735	38,439
Net change in fund balances	(821)	33,738	2,250	35,167
Fund balance - beginning of year	4,676	1,253	14,211	20,140
Fund balance - end of year	\$ 3,855	\$ 34,991	\$ 16,461	\$ 55,307

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Total change in fund balances - governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 35,167
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation	(60,157)
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Principal expenditures	10,567
Governmental funds report all payments to OPEB benefits as expenditures. However, in the government-wide statement of activities, the pension expense is actuarially determined. This amount is the total of the increase in the total OPEB liability of \$136, the decrease in deferred outflows related to OPEB of \$315, and the increase in deferred inflows related to OPEB of \$462.	(438)
Governmental funds report all payments to pension benefits as expenditures. However, in the government-wide statement of activities, the pension expense is actuarially determined. This amount is the total of the increase in the net pension asset of \$3,632, the increase in the deferred inflows related to pensions of \$1,205, and the decrease in deferred outflows related to pensions of \$948.	(1,447)
Total change in net position of governmental activities - statement of activities	<u>\$ (16,308)</u>

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2023

	Water Fund	Sanitation Fund	Total Proprietary Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 183,005	\$ -	\$ 183,005
Cash and cash equivalents - restricted	277,697	-	277,697
Prepaid expense	4,524	-	4,524
Interfund receivable	94,482	-	94,482
Accounts receivable, net	59,180	11,911	71,091
Total Current Assets	618,888	11,911	630,799
Noncurrent Assets			
Capital assets, net	1,423,720	-	1,423,720
Total Noncurrent Assets	1,423,720	-	1,423,720
Total Assets	2,042,608	11,911	2,054,519
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	239	-	239
Deferred outflows related to pension	22,232	-	22,232
Total Deferred Outflows of Resources	22,471	-	22,471
LIABILITIES			
Current Liabilities			
Accrued liabilities	125,572	-	125,572
Customer deposits payable	93,884	-	93,884
Lease payable - current portion	4,675	-	4,675
Note payable - current portion	48,652	-	48,652
Total Current Liabilities	272,783	-	272,783
Long-Term Liabilities			
Total OPEB Liability	12,434	-	12,434
Net Pension Liability	1,106	-	1,106
Note payable - noncurrent portion	381,242	-	381,242
Total Long-Term Liabilities	394,782	-	394,782
Total Liabilities	667,565	-	667,565
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	11,175	-	11,175
Deferred inflows related to OPEB	8,224	-	8,224
Total Deferred Inflows of Resources	19,399	-	19,399
Total Liabilities and Deferred Inflows of Resources	686,964	-	686,964
Net Position			
Net investment in capital assets	989,151	-	989,151
Unrestricted	388,964	11,911	400,875
Total Net Position	\$ 1,378,115	\$ 11,911	\$ 1,390,026

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Water Fund	Sanitation Fund	Total Proprietary Funds
Operating Revenue			
Water	\$ 399,797	\$ -	\$ 399,797
Sanitation	-	116,633	116,633
Miscellaneous revenue	55,666	-	55,666
Total Operating Revenues	455,463	116,633	572,096
Operating Expenses			
Salaries	129,408	-	129,408
Payroll taxes	3,945	-	3,945
Retirement	5,878	-	5,878
Employee insurance	28,604	-	28,604
Insurance	11,166	-	11,166
Fuel	13,931	-	13,931
Office	6,097	-	6,097
Fees and dues	9,601	-	9,601
Repair and maintenance	14,622	-	14,622
Utilities	24,704	-	24,704
Bad debts	9,794	-	9,794
Material, supplies, and chemicals	31,093	-	31,093
Depreciation	74,408	-	74,408
Other	20,603	-	20,603
Waste collection	-	100,175	100,175
Total Operating Expenses	383,854	100,175	484,029
Operating Income	71,609	16,458	88,067
Nonoperating Revenues (Expenses)			
Interest income	357	-	357
Interest expense	(13,764)	-	(13,764)
Total Nonoperating Revenues (Expenses)	(13,407)	-	(13,407)
Income before grants and transfers	58,202	16,458	74,660
Capital grant	132,083	-	132,083
Transfer in	17,315	-	17,315
Transfer out	(38,439)	(17,315)	(55,754)
Change in net position	169,161	(857)	168,304
Net Position - beginning of year	1,208,954	12,768	1,221,722
Net Position - end of year	\$ 1,378,115	\$ 11,911	\$ 1,390,026

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Water Fund	Sanitation Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 464,077	\$ 117,490	\$ 581,567
Cash payments to employees for services	(65,994)	-	(65,994)
Cash payments to other suppliers for goods and services	(165,886)	(100,175)	(266,061)
Net Cash Provided by (Used in) Operating Activities	232,197	17,315	249,512
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Proceeds from interfund loans	188,786	-	188,786
Payments for interfund loans	(190,592)	-	(190,592)
Operating transfers from other funds	17,315	-	17,315
Operating transfers to other funds	(38,439)	(17,315)	(55,754)
Increase in customer deposits	4,602	-	4,602
Net Cash Provided by (Used in) Non-Capital Financing Activities	(18,328)	(17,315)	(35,643)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
Principal and interest paid	(69,134)	-	(69,134)
Capital grants	132,083	-	132,083
Acquisition and construction of capital assets	(156,523)	-	(156,523)
Net Cash Provided by (Used in) Capital & Related Financing Activities	(93,574)	-	(93,574)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	357	-	357
Net Cash Provided by (Used in) Investing Activities	357	-	357
Net Increase (Decrease) in Cash and Cash Equivalents	120,652	-	120,652
Cash and Cash Equivalents at Beginning of Year	340,050	-	340,050
Cash and Cash Equivalents at End of Year	\$ 460,702	\$ -	\$ 460,702

The accompanying notes are an integral part of this statement.

CITY OF BERRYVILLE, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
Operating Income (loss)	\$ 71,609	\$ 16,458	\$ 88,067
Adjustment to reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	74,408	-	74,408
Change in Assets and Liabilities:			
Decrease (increase) in prepaid expenses	2,297	-	2,297
Decrease (increase) in accounts receivables	8,614	857	9,471
Decrease (increase) in net pension asset	18,370	-	18,370
Decrease (increase) in deferred outflows of resources	(16,206)	-	(16,206)
Increase (decrease) in accrued liabilities	73,320	-	73,320
Increase (decrease) in total net pension liability	1,106	-	1,106
Increase (decrease) in total OPEB liability	(3,021)	-	(3,021)
Increase (decrease) in deferred inflows of resources	1,700	-	1,700
Total Adjustments	<u>160,588</u>	<u>857</u>	<u>161,445</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 232,197</u>	<u>\$ 17,315</u>	<u>\$ 249,512</u>
 Supplemental Note:			
Cash balances as reported on Statement of Net Position			
Cash and cash equivalents	\$ 183,005	\$ -	\$ 183,005
Cash and cash equivalents - restricted	<u>277,697</u>	<u>-</u>	<u>277,697</u>
Total cash and cash equivalents	<u>\$ 460,702</u>	<u>\$ -</u>	<u>\$ 460,702</u>

The accompanying notes are an integral part of this statement.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Berryville, Texas (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The City of Berryville, Texas, operates as a political subdivision of the State of Texas. It is governed by the City Council which is composed of the Mayor and five Council Members. The Mayor and the City Council Members are elected by the voters of Berryville. The City Council acts primarily to pass local laws and to establish rules governing the actions of the City employees.

For financial reporting purposes, management has considered all potential component units (organizations) and the criteria set forth in GASB Statement No. 14 (GASB No. 14). As set out in GASB No. 14, the reporting entity should include an organization if the primary government (the City) is financially accountable for the organization. In addition, GASB Statement No. 61 (GASB No. 61) considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. Management has not identified any organizations that meet these criteria.

B. GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 of the City, and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

These financial statements include implementation of Governmental GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities.
- A change in the fund financial statements to focus on the major funds.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance the operations of the current year.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Sales taxes, franchise taxes, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

Street Project Fund – The Street Project Fund is a capital project fund used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays related to the acquisition, construction, and maintenance of roads.

Volunteer Fire Department – The Volunteer Fire Department Fund is a special revenue fund that accounts for the financial resources that are restricted or committed to expenditure for the volunteer fire department.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The City reports the following proprietary funds:

Water Fund – The Water Fund is used to account for sale of water treatment and distribution by the City to business and residential customers.

Sanitation Fund – The Sanitation Fund is used to account for the sale of garbage pickup services by the City for business and residential customers.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected to follow subsequent private sector guidance.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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 non-operating revenues and expenses.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR FUND BALANCE

- 1. Deposits and Investments** – Cash and cash equivalents include amounts in demand deposit accounts.

The City’s cash deposits in its bank depository are subject to credit risk, concentration of credit risk, and to a small extent, interest rate risk. These risks are minimized by the City’s strict adherence to the provisions of the Texas Depository Contract Law.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR FUND BALANCE (Continued)

2. **Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either as “Interfund Receivables/Interfund Payables” (the current portion of interfund loans) or “Advances To/From Other Funds” (the non-current portion of interfund loans). All other outstanding balances between funds are reported as “Due To/From Other Funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “Internal Balances”.
3. **Inventory** – Inventory items are expensed when purchased.
4. **Restricted Assets** – Water Meter Deposits are refundable deposits from customers. The City also classifies other cash and cash equivalents as restricted because the use of the funds is governed by agreements.
5. **Capital Assets** – Capital assets, which include property, plant, and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$500 or more and an estimated life in excess of three years. Such assets are recorded at historical cost or appraised value (for pre-1963 acquisitions). Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected to not report major general infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Life (in years)
Buildings	40-50
Improvements/infrastructure	20-50
Utility plants	8-33
Vehicles	7-8
Heavy equipment	8-10
Machinery and equipment	8-10
Right-to-use leased equipment	7

6. **Accumulated Vacation and Sick Leave Time** – It is the City’s policy to pay terminated employees for any accrued vacation leave earned during the current year but not used by the time of the termination. Accrued vacation and sick leave does not carry forward year-to-year.
7. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR FUND BALANCE (Continued)

- 8. Long-term Obligations** – In the government-wide financial statements and proprietary fund types in the 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 premium or discount as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the related bond premiums or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premium received on debt issuances is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

- 9. Fund Balances** – The GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting requirements to improve the usefulness of information about fund balance by providing clearer, more structured fund balance classifications and clarifying the definitions of existing governmental fund types. The statement classifies fund balance into the following categories: nonspendable, restricted, committed, assigned, and unassigned.

- i. *Nonspendable fund balance* – includes the portion of net resources that cannot be spent because of their forms (e.g., inventory, long-term debt, or prepaid items) or because they must remain intact such as the principal of an endowment.
- ii. *Restricted fund balance* – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e., externally imposed limitations). Amounts can be spent only for the specific purpose stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.
- iii. *Committed fund balance* – includes the portion of net resources on which the City Council has imposed limitations on use. Amounts can be used only for the specific purposes determined by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- iv. *Assigned fund balance* – includes the portion of net resources for which an intended use has been established by the City Council or the City official authorized to do so by the City Council. Assignment of fund balance is much less formal than commitments and do not require formal action for their imposition or removal.
- v. *Unassigned fund balance* – includes the amounts in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Committed fund balance is constrained by City Council through legislation, resolutions, or ordinance. The City Secretary is authorized to assign amounts to specific purpose or policy established by City Council to which authorization is given.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR FUND BALANCE (Continued)

The City considers restricted expenditures expended first when restricted and unrestricted resources exist. In addition, the City considers unrestricted classifications of resources to have been spent by committed amounts first followed by assigned and unassigned.

- 10. Net Position** – Net position represents the difference between assets plus deferred outflows of resources minus liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt, consists of the City’s capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net position reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors, or other laws and regulations.

When an expense is incurred for purposes in which both restricted and unrestricted net position are available, the City’s policy is to apply restricted net position first.

- 11. Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualifies for reporting in this category. It is the deferred charge on pension and other post-employment benefits (OPEB) reported in the government-wide statement of net position and the proprietary funds statement of net position. This is made up of contributions to the pension and OPEB subsequent to the measurement date, as well as differences between expected and actual economic experience, changes in actuarial assumptions, and differences between projected and actual investment earnings.

In addition to liabilities, the statement of financial position 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category. It is the deferred charge on pension and OPEB reported in the government-wide statement of net position and the proprietary funds statement of net position. This is made up of differences between expected and actual economic experience and differences between projected and actual investment earnings.

- 12. Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- 13. Estimates** – In preparation of the financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR FUND BALANCE (Continued)

- 14. Leases** – The City is a lessee for a noncancellable lease of equipment. The City recognizes lease liabilities and right-to-use leased assets (lease assets) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$1,000 or more.

At the commencement of a lease, the City initially measure 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.

Key estimates and judgements related to leases include how the City determined (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 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 noncancellable 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.

The City monitors changes in circumstances that would require a measurement 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 capital assets and lease liabilities are with long-term debt on the statement of net position.

- 15. Subscription-based Information Technology Arrangements (SBITA)** – GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented as required by GASB during fiscal year ended June 30, 2023. The objective of the Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements of subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. No restatement of prior year amounts was considered necessary.

A subscription-based information technology arrangement (SBITA) is contract that conveys control of the right to use a vendor’s software, alone or in the combination with hardware. The City has established a materiality threshold of \$1,000 for purposes of recording SBITAs. The accounting treatment is very similar for leases (where the City is a lessee) and SBITAs. In each case, the City recognizes both a liability and an intangible right-to-use asset at the commencement of the contract.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR FUND BALANCE (Continued)

In general, the SBITA liability and the right-to-use SBITA asset are measured based on the present value of the expected payments during the subscription term. The SBITA asset is adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Remeasurement of the SBITA liability and right-to-use SBITA asset occurs when there is a change in the term and/or other changes that are likely to have a significant impact on the SBITA liability. The right-to-use asset of a SBITA is reported with depreciable capital assets and the liabilities for SBITAs are reported with the long-term liabilities when the SBITA contract term is greater than 12 months. In general, SBITAs with a contract term of 12 months or less are recognized as outflows of resources or expense.

Key estimates and judgement related to SBITAs include how the City determined (1) the discount rate it uses to discount the expected payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest charged by the vendor as the discount rate, when available. If the interest rate charged by the vendor is not available, the City generally uses its estimated incremental borrowing rate.
- The subscription term includes the noncancellable period of the SBITA. In determining the subscription term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options or periods after termination options are only included in the subscription term if it is reasonably certain that the SBITA will be extended or not terminated.
- Subscription payments included in the measurement of the SBITA liability are composed of: fixed payments; variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), measured using the index of the rate as of the commencement of the subscription term); variable payments that are fixed in substance; payments for penalties for terminating the SBITA, if the subscription term reflects the government exercising the option to terminate the SBITA or a fiscal funding or cancellation clause; and any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors.

The City calculated the amortization of the discount on the SBITA liability and reports that amount as outflows of resources or interest expense for the period. The City amortizes the right-to-use SBITA asset on a straight-line basis over the shorter of the subscription term or useful life. The City reports the amortization of the SBITA asset as an outflow of resources, amortization expense, which is combined with depreciation expense related to other capital assets for financial reporting purposes.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental funds balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.” The details of this \$572,221 difference are as follows:

Beginning balance of capital assets,	
net of accumulated depreciation	\$ 632,378
Depreciation of capital assets, current year	<u>(60,157)</u>
Total	<u><u>\$ 572,221</u></u>

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control for the General Fund of the City. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis.

The City Council adopts an “appropriate budget” for the General Fund. At a minimum, the City is required to present the original and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund on page 40.

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

- a. The City Council prepares a budget for the next succeeding fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them.
- b. At least fifteen (15) days after preparation of the proposed budget, a meeting of the City Council is called for the purpose of adopting the proposed budget after at least ten (10) days’ public notice of the meeting has been published.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the City Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year-end.

B. EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, the City reported the General Government, Public Safety, Community Services, and Debt Service categories of expenditures in excess of appropriations by \$5,633; \$5; \$606; and \$1,440, respectively.

C. DEFICIT FUND EQUITY

As of June 30, 2023, no funds reported deficit fund balances.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in compliance with the requirements of the Act and with local policies.

The City has adopted a deposit and investment policy that limit the City's allowable deposits or investments and addresses the specific type of risk to which the City is exposed.

The City maintains its cash balances in its depository bank, Austin Bank, Frankston, Texas.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. Deposited funds may be invested in certificates of deposit in institutions with an established record of health and service.

At June 30, 2023, the City held several bank accounts, including interest bearing accounts at one financial institution. At June 30, 2023, the City's deposits exceeded Federal Depository Insurance by \$356,671, the balance of which was collateralized by securities held by the pledging financial institution.

B. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023 consist primarily of sales taxes and customer charges billed for water sales and garbage collection. Allowances for estimated uncollectible accounts are provided. Balances at June 30, 2023 are:

	General Fund	Water Fund	Sanitation Fund	Total
Due from other governments	\$ 6,284	\$ -	\$ -	\$ 6,284
Franchise tax receivable	2,131	-	-	2,131
Utility accounts	-	45,235	8,616	53,851
Unbilled receivables	-	22,768	4,975	27,743
Total receivables	<u>8,415</u>	<u>68,003</u>	<u>13,591</u>	<u>90,009</u>
Less allowances	-	(8,823)	(1,680)	(10,503)
Total net receivables	<u>\$ 8,415</u>	<u>\$ 59,180</u>	<u>\$ 11,911</u>	<u>\$ 79,506</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

C. PROPERTY, PLANT, AND EQUIPMENT

Capital asset activity for the year ended June 30, 2023 was as follows:

Governmental Activities:	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets being depreciated:				
Buildings	\$ 808,841	\$ -	\$ -	\$ 808,841
Equipment	384,119	-	-	384,119
Infrastructure	626,317	-	-	626,317
Total capital assets being depreciated	<u>1,819,277</u>	<u>-</u>	<u>-</u>	<u>1,819,277</u>
Less accumulated depreciation:				
Buildings	663,001	16,088	-	679,089
Equipment	380,448	2,315	-	382,763
Infrastructure	143,450	41,754	-	185,204
Total accumulated depreciation	<u>1,186,899</u>	<u>60,157</u>	<u>-</u>	<u>1,247,056</u>
Total net capital assets being depreciated	<u>\$ 632,378</u>	<u>\$ (60,157)</u>	<u>\$ -</u>	<u>\$ 572,221</u>
Total governmental activities capital assets, net of accumulated depreciation				\$ 572,221
Less associated debt				<u>(1,367)</u>
Net investment in capital assets				<u>\$ 570,854</u>
Depreciation charge by function:				
General Government				\$ 4,886
Public Safety				5,105
Community Services				8,412
Community Development				41,754
Total				<u>\$ 60,157</u>

CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

C. PROPERTY, PLANT, AND EQUIPMENT (Continued)

Business-Type Activities:	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated:				
Construction-in-progress	\$ 20,725	\$ 143,473	\$ (164,198)	\$ -
Total capital assets not being depreciated	<u>\$ 20,725</u>	<u>\$ 143,473</u>	<u>\$ (164,198)</u>	<u>\$ -</u>
Capital assets being depreciated:				
Buildings	\$ 135,586	\$ -	\$ -	\$ 135,586
Equipment	690,171	-	-	690,171
Infrastructure	1,864,185	177,248	-	2,041,433
Right-to-use leased equipment	24,032	-	-	24,032
Total capital assets being depreciated	<u>2,713,974</u>	<u>177,248</u>	<u>-</u>	<u>2,891,222</u>
Less accumulated depreciation:				
Buildings	77,995	5,075	-	83,070
Equipment	495,271	18,896	-	514,167
Infrastructure	815,250	47,004	-	862,254
Right-to-use leased equipment	4,578	3,433	-	8,011
Total accumulated depreciation	<u>1,393,094</u>	<u>74,408</u>	<u>-</u>	<u>1,467,502</u>
Total net capital assets being depreciated	<u>\$ 1,320,880</u>	<u>\$ 102,840</u>	<u>\$ -</u>	<u>\$ 1,423,720</u>
Total business-type activities capital assets, net of accumulated depreciation				\$ 1,423,720
Less associated debt				(434,569)
Net investment in capital assets				<u>\$ 989,151</u>
Depreciation charge by function:				
Water				\$ 74,408
Total				<u>\$ 74,408</u>

D. LONG-TERM LIABILITIES

On May 1, 2021, the City refinanced a certificate of obligation in the amount of \$526,812. The new terms of the note are monthly principal and interest payments of \$5,099.55 for 59 months with a balloon payment of \$288,574.11 due on May 5, 2026. The note carries a fixed interest rate of 3.0% and is unsecured. The balance of the note at June 30, 2023 was \$429,894.

On November 30, 2020, the City entered a promissory note with Austin Bank in the amount of \$25,000 to finish the interior construction of the new fire station. The note is due in 23 regular payments of \$800 and one balloon payment of \$7,595 due on November 30, 2022. This loan was refinanced at Austin Bank in November 2022. The note is now due in nine regular payments of \$800 and one irregular last payment of \$601, carries a fixed interest rate of 6.50% until maturity on September 30, 2023. The note remains unsecured. The balance of the note at June 30, 2023 was \$1,367.

Presented below is the annual debt service of the long-term debt direct borrowings for the governmental and business-type activities, respectively, for the year ended June 30, 2023:

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM LIABILITIES (Continued)

Governmental activities:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Interest Rate</u>
2024	\$ 1,367	\$ 34	\$ 1,401	6.50%
	<u>\$ 1,367</u>	<u>\$ 34</u>	<u>\$ 1,401</u>	

Business-type activities:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Interest Rate</u>
2024	\$ 53,327	\$ 12,543	\$ 65,870	0.00 - 3.00%
2025	50,294	10,900	61,194	0.00 - 3.00%
2026	330,948	8,622	339,570	0.00 - 3.00%
	<u>\$ 434,569</u>	<u>\$ 32,065</u>	<u>\$ 466,634</u>	

Interest charged to expense was \$14,237 for the year ended June 30, 2023. Interest capitalized during the year was \$0. Business activity interest of \$13,764 is included in the Statement of Activities as a direct function expense.

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2023:

	<u>Payable at 6/30/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Payable at 6/30/2022</u>	<u>Due in one year</u>
Governmental Activities:					
Direct Borrowings:					
Note Payable-Fire Station	\$ 10,678	\$ 7,576	\$ (16,887)	\$ 1,367	\$ 1,367
Note Payable-Copier	1,256	-	(1,256)	-	-
Other Long-term Liabilities:					
Total OPEB Liability	6,011	2,787	(3,962)	4,836	-
Net Pension Liability(Asset)	(8,269)	14,424	(5,725)	430	-
Total	<u>\$ 9,676</u>	<u>\$ 24,787</u>	<u>\$ (27,830)</u>	<u>\$ 6,633</u>	<u>\$ 1,367</u>
Business-Type Activities:					
Direct Borrowings:					
Certificate of Obligation	\$ 477,254	\$ -	\$ (47,360)	\$ 429,894	\$ 48,652
Other Long-term Liabilities:					
Total OPEB Liability	15,455	7,166	(10,187)	12,434	-
Lease Payable-Excavator	12,685	-	(8,010)	4,675	4,675
Net Pension Liability(Asset)	(18,370)	35,003	(15,527)	1,106	-
Total	<u>\$ 487,024</u>	<u>\$ 42,169</u>	<u>\$ (81,084)</u>	<u>\$ 448,109</u>	<u>\$ 53,327</u>

Historically, the general fund and water fund have been used to liquidate long-term liabilities belonging to governmental activities and business-type activities, respectively.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

E. LEASES PAYABLE

The City follows Government Accounting Standards Board Statement No. 87, Leases (GASBS 87), which requires the reporting of lease liabilities that were previously not reported, and for lessors and lessees to report leases under a single model. For lessee leases, right-of-use assets and liabilities are recognized on the commencement date of the lease based on the present value of lease payments over the lease term. On March 19, 2021, the City (Lessee) entered into a lease agreement with Associated Supply Company, Inc (Lessor) for the use of a compact excavator. The term of the lease is 36 months with payments of \$667 due monthly and a stated interest rate of 0%. The initial lease liability was recorded in the amount of \$24,032. The balance of the lease liability at June 30, 2023 was \$4,675.

The value of the right-to-use asset and related accumulated amortization are \$24,032 and \$8,011, respectively. Future minimum lease payments as of June 30, 2023 are as follows:

	Year Ending	
	<u>June 30,</u>	<u>Payments</u>
	2024	\$ 4,675
Total Minimum Lease Payments		4,675
Less: Amount Representing Interest		-
Total Outstanding Lease Payments		<u>\$ 4,675</u>

F. PENSION AND EMPLOYEE BENEFIT PLANS

Retirement Plan

Plan Description

The City of Berryville, Texas, participates as one of 887 plans in the non-traditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Title 8, Subtitle G, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) 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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

F. PENSION AND EMPLOYEE BENEFIT PLANS (Continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Employee deposit rate	7.00%	7.00%	7.00%	7.00%
Matching ratio (city to employee)	1 to 1	1 to 1	1 to 1	1 to 1
Years required for vesting	5	5	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5 years 25 years any age	60/5 years 25 years any age	60/5 years 25 years any age	60/5 years 25 years any age
Updated service credit	0% Repeating Transfers	0% Repeating Transfers	0% Repeating Transfers	0% Repeating Transfers
Annuity increase (to retirees)	0% of CPI Repeating	0% of CPI Repeating	0% of CPI Repeating	0% of CPI Repeating

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	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>3</u>
Total employees	<u><u>6</u></u>

Contributions

The contribution rates for City employees in TMRS are 7% of employee gross earnings, and the City matching percentage is 100%, both as adopted by the City Council. 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City of Berryville, Texas, were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Berryville, Texas, were 2.97% in calendar year 2023 and 3.11% in 2022. The City's contributions to TMRS for the fiscal year ended June 30, 2023, were \$5,551 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.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

F. PENSION AND EMPLOYEE BENEFIT PLANS (Continued)

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	1.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension investment expense, including inflation

Salary increases 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 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 is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and minimum and maximum rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Strategic Target Allocation		
	Minimum %	Target %	Maximum %
Core Fixed Income	1.00%	6.00%	11.00%
Non-Core Fixed Income	15.00%	20.00%	25.00%
Global Equity	25.00%	35.00%	45.00%
Real Estate	7.00%	12.00%	17.00%
Other Public & Pvt Mkts	7.00%	12.00%	17.00%
Hedge Funds	0.00%	5.00%	10.00%
Private Equity	5.00%	10.00%	15.00%
Cash Equivalents	0.00%	0.00%	3.00%

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

F. PENSION AND EMPLOYEE BENEFIT PLANS (Continued)

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2021	\$ 224,358	\$ 250,997	\$ (26,639)
Changes for the year:			
Service Cost	15,233	-	15,233
Interest	14,935	-	14,935
Change of benefit terms	-	-	-
Difference between expected and actual experience	(5,049)	-	(5,049)
Change of assumptions	-	-	-
Contributions - Employer	-	4,677	(4,677)
Contributions - Employee	-	10,527	(10,527)
Net investment income	-	(18,289)	18,289
Benefit payments, including refunds of employee contributions	(21,439)	(21,439)	-
Administrative expense	-	(159)	159
Other	-	189	(189)
Balances as of December 31, 2022	\$ 228,038	\$ 226,503	\$ 1,535

Plan fiduciary net position as a percentage of the total pension liability is 99.33%. The Net Pension Liability as a percentage of the City's covered employee payroll of \$150,379 is 1.02%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
Net pension liability / (asset)	\$ 22,113	\$ 1,535	\$ (16,154)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

F. PENSION AND EMPLOYEE BENEFIT PLANS (Continued)

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

For the year ended June 30, 2023, the City recognized pension expense of \$7,822. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 3,259	\$ 681
Changes in Actuarial Assumptions	-	-
Difference Between Projected and Actual Investment Earnings	12,263	28,185
Contributions Subsequent to the Measurement Date	-	2,013
Total	\$ 15,522	\$ 30,879

\$2,013 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 June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2023	\$ (516)
2024	2,510
2025	4,308
2026	7,042
Total	\$ 13,344

Other Post-Employment Benefits (OPEB) - Supplemental Death Benefit Fund

Plan Description

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

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 on which TMRS deposits are made, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

F. PENSION AND EMPLOYEE BENEFIT PLANS (Continued)

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	3
Total employees	6

Contributions

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 the retiree’s term life insurance during employees' entire careers. The City’s contributions to the TMRS SDBF for the years ended June 30, 2023, 2022, and 2021 were as follows \$1,050, \$886, and \$655, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate	4.05%
Retirees' share of benefit-related costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under the reporting requirements under GASB Statement No. 68. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2022. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial study for the period December 31, 2014 to December 31, 2018.

Discount Rate

As of December 31, 2022, the City’s discount rate was 4.05%. 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.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

F. PENSION AND EMPLOYEE BENEFIT PLANS (Continued)

Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$ 21,466
Changes for the year:	
Service cost	9,474
Interest	479
Changes in benefit terms	-
Differences between expected and actual experience	(7,292)
Changes in assumptions or other inputs	(6,511)
Benefit payments	<u>(346)</u>
Net changes	<u>(4,196)</u>
Total OPEB Liability - end of year	<u>\$ 17,270</u>

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

The following presents the total OPEB liability of the City, 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 discount rate:

	1% Decrease in Discount Rate 3.05%	Current Discount Rate 4.05%	1% Increase in Discount Rate 5.05%
Total OPEB liability	<u>\$ 19,885</u>	<u>\$ 17,270</u>	<u>\$ 15,120</u>

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,555. At June 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	\$ 7,220	\$ -
Changes in Actuarial Assumptions	4,053	-
Contributions Subsequent to the Measurement Date	<u>-</u>	<u>183</u>
Total	<u>\$ 11,273</u>	<u>\$ 183</u>

\$183 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2023	\$ (7,260)
2024	<u>(4,013)</u>
Total	<u>\$ (11,273)</u>

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

G. HEALTH INSURANCE

During the year ended June 30, 2023, the employees of the City were covered by a health insurance plan (the Plan). The City paid the health insurance premiums for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. Employees can, at their option, obtain coverage for dental insurance through the Plan. Employees pay 100% of the premiums for any such additional insurance coverage.

H. COMMITMENT AND CONTINGENCIES

The City participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts if any to be immaterial.

I. RESTRICTED ASSETS

The City maintains the following restricted cash accounts that are restricted and reserved for specific purposes:

Governmental Activities

Street Project Fund – Cash is restricted for repairs and construction of streets and roads. At June 30, 2023, the amount of restricted cash for these purposes was \$55,740.

Volunteer Fire Department Fund – Cash is restricted to fire department operations and fire department equipment purchases. At June 30, 2023, the amount of restricted cash for these purposes was \$19,791.

Business-Type Activities

Business activities include a restricted cash balance resulting from refundable customer meter deposits for water and sanitation service. At June 30, 2023, the amount of restricted cash for these purposes was \$93,884. The water fund also has restricted cash in the amount of \$183,813 related to the American Rescue Plan grant. The funds will remain restricted until spent on qualifying expenditures.

J. 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 continues to carry commercial insurance for all of those types of loss, including commercial building and property, vehicle collision, liability, and comprehensive, public official's liability, and law enforcement officials. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

K. ASSET RETIREMENT OBLIGATIONS

The City has incurred an asset retirement obligation (ARO) related to its water wells as a result of Texas Operations Code, Chapter 1901 and Texas Administrative Code, Chapter 76. The City has multiple water wells that were put into service at different times. The remaining estimated useful lives range from 16 to 34 years. The amount of the ARO cannot be reasonably estimated due to the unknown variables at the time of closure that determine the cost of retirement such as the remaining amount of water, if any; the condition of the well at the time of abandonment; and the large range of estimated average per-foot cost to plug a well. Therefore, the City's ARO is not yet recognizable as of June 30, 2023.

**CITY OF BERRYVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

L. INTERFUND RECEIVABLES AND PAYABLES

Balances due to/from other funds at June 30, 2023 consist of the following:

<u>Due to</u>	Due from			<u>Total</u>
	General Fund	Nonmajor Governmental Fund	Street Project Fund	
Water and Wastewater Fund	71,323	2,267	20,892	94,482
Total	\$ 71,323	\$ 2,267	\$ 20,892	\$ 94,482

Interfund receivables and payables are to meet unexpected operating needs.

M. INTERFUND TRANSFERS

Transfers are indicative of funding for operations. The following schedule briefly summarizes the City's transfer activity.

<u>Transfer in</u>	Transfer out		
	Water Fund	Sanitation Fund	Total
General Fund	\$ 37,561	\$ -	\$ 37,561
Street Proj. Fund	143	-	143
Nonmajor Gov. Fund	735	-	735
Water Fund	-	17,315	17,315
Total	\$ 38,439	\$ 17,315	\$ 55,754

N. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date these financial statements were available to be issued, October 28, 2024, noting no transactions that required disclosure or adjustment based on current accounting standards.

CITY OF BERRYVILLE, TEXAS

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Sales taxes	\$ 34,000	\$ 34,000	\$ 37,745	\$ 3,745
Franchise taxes	26,200	26,200	27,286	1,086
Total Taxes	<u>60,200</u>	<u>60,200</u>	<u>65,031</u>	<u>4,831</u>
Rental	300	300	-	(300)
Other	3,150	3,150	7,714	4,564
Interest income	38	38	63	25
Total Revenues	<u>63,688</u>	<u>63,688</u>	<u>72,808</u>	<u>9,120</u>
Expenditures				
General government	102,556	102,556	108,189	(5,633)
Public safety	150	150	155	(5)
Community services	800	800	1,406	(606)
Debt service				
Principle	-	-	1,256	(1,256)
Interest	-	-	184	(184)
Total Expenditures	<u>103,506</u>	<u>103,506</u>	<u>111,190</u>	<u>(7,684)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,818)</u>	<u>(39,818)</u>	<u>(38,382)</u>	<u>1,436</u>
Other Financing Sources (Uses)				
Transfer in	-	-	37,561	37,561
Total other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>37,561</u>	<u>37,561</u>
Net change in fund balance	<u>\$ (39,818)</u>	<u>\$ (39,818)</u>	(821)	<u>\$ 38,997</u>
Fund Balance - beginning of year			<u>4,676</u>	
Fund Balance - end of year			<u>\$ 3,855</u>	

CITY OF BERRYVILLE, TEXAS

**NOTES TO THE GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED JUNE 30, 2023

Capital Projects Fund

The Street Project Fund, which is a capital projects major fund, is not legally required to adopt a budget, thus eliminating the requirement to present budgetary comparison information.

Special Revenue Fund

The Volunteer Fire Department Fund, which is a special revenue major fund, is not legally required to adopt a budget, thus eliminating the requirement to present budgetary comparison information.

General Fund

See Note 3A on page 27 for additional budgetary information.

CITY OF BERRYVILLE, TEXAS

SCHEDULE OF CONTRIBUTIONS - PENSION

LAST 10 FISCAL YEARS *

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Actuarially Determined Contribution	\$ 1,445	\$ 1,586	\$ 1,800	\$ 1,898	\$ 2,347	\$ 3,241	\$ 5,668	\$ 6,982	\$ 5,551
Contributions in Relation to the Actuarially Determined Contribution	<u>\$ 1,445</u>	<u>\$ 1,586</u>	<u>\$ 1,800</u>	<u>\$ 1,898</u>	<u>\$ 2,347</u>	<u>\$ 3,241</u>	<u>\$ 5,668</u>	<u>\$ 6,982</u>	<u>\$ 5,551</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 108,579	\$ 95,850	\$ 85,398	\$ 68,660	\$ 69,762	\$ 96,533	\$ 151,878	\$ 161,131	\$ 150,379
Contributions as a Percentage of Covered Employee Payroll	1.33%	1.65%	2.11%	2.76%	3.36%	3.36%	3.73%	4.33%	3.69%

Notes to Schedule of Contributions:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal (EAN)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	N/A
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 year.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF BERRYVILLE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 MEASUREMENT YEARS *

Total Pension Liability

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Service Cost	\$ 15,233	\$ 16,290	\$ 16,783	\$ 10,416	\$ 7,541	\$ 7,184	\$ 10,025	\$ 10,028	\$ 9,754
Interest (on the Total Pension Liability)	14,935	13,946	12,813	12,696	12,581	12,292	11,715	12,392	12,828
Changes in benefits terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(5,049)	2,499	1,120	(4,461)	3,170	(1,675)	1,904	4,617	564
Change in assumptions	-	-	-	2,933	-	-	-	4,194	-
Benefit payments, including refund of employee contributions	<u>(21,439)</u>	<u>(13,680)</u>	<u>(13,680)</u>	<u>(32,392)</u>	<u>(13,680)</u>	<u>(13,680)</u>	<u>(13,680)</u>	<u>(55,742)</u>	<u>(3,286)</u>
Net change in Total Pension Liability	3,680	19,055	17,036	(10,808)	9,612	4,121	9,964	(24,511)	19,860
Total Pension Liability - Beginning	<u>224,358</u>	<u>205,303</u>	<u>188,267</u>	<u>199,075</u>	<u>189,463</u>	<u>185,342</u>	<u>175,378</u>	<u>199,889</u>	<u>180,029</u>
Total Pension Liability - Ending (a)	<u>\$ 228,038</u>	<u>\$ 224,358</u>	<u>\$ 205,303</u>	<u>\$ 188,267</u>	<u>\$ 199,075</u>	<u>\$ 189,463</u>	<u>\$ 185,342</u>	<u>\$ 175,378</u>	<u>\$ 199,889</u>

Plan Fiduciary Net Position

Contributions - employer	\$ 4,677	\$ 6,075	\$ 5,146	\$ 2,925	\$ 1,960	\$ 1,918	\$ 1,620	\$ 1,690	\$ 1,077
Contributions - employee	10,527	11,279	10,631	6,757	4,883	4,935	6,833	7,170	7,463
Net investment income	(18,289)	28,483	15,268	30,030	(6,215)	26,115	12,269	337	12,086
Benefit payments, including refunds of employee contributions	(21,439)	(13,680)	(13,680)	(32,392)	(13,680)	(13,680)	(13,680)	(55,742)	(3,286)
Administrative expense	(159)	(132)	(99)	(171)	(120)	(135)	(139)	(205)	(126)
Other	<u>189</u>	<u>1</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(7)</u>	<u>(10)</u>	<u>(10)</u>
Net Change in Plan Fiduciary Net Position	(24,494)	32,026	17,262	7,144	(13,178)	19,146	6,896	(46,760)	17,204
Plan Fiduciary Net Position - Beginning	<u>250,997</u>	<u>218,971</u>	<u>201,709</u>	<u>194,565</u>	<u>207,743</u>	<u>188,597</u>	<u>181,701</u>	<u>228,461</u>	<u>211,257</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 226,503</u>	<u>\$ 250,997</u>	<u>\$ 218,971</u>	<u>\$ 201,709</u>	<u>\$ 194,565</u>	<u>\$ 207,743</u>	<u>\$ 188,597</u>	<u>\$ 181,701</u>	<u>\$ 228,461</u>

Net Pension Liability (Asset) - Ending (a) - (b)	1,535	(26,639)	(13,668)	(13,442)	4,510	(18,280)	(3,255)	(6,323)	(28,572)
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Plan Fiduciary Net Position as a Percentage of Total Pension Liability

	99.33%	111.87%	106.66%	107.14%	97.73%	109.65%	101.76%	103.61%	114.29%
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Covered Employee Payroll	\$ 150,379	\$ 161,131	\$ 151,878	\$ 96,533	\$ 69,762	\$ 70,503	\$ 97,618	\$ 102,432	\$ 106,610
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Net Pension Liability as a Percentage of Covered Payroll	1.02%	-16.53%	-9.00%	-13.92%	6.46%	-25.93%	-3.33%	-6.17%	-26.80%
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* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF BERRYVILLE, TEXAS

SCHEDULE OF CONTRIBUTIONS - OPEB

LAST 10 FISCAL YEARS *

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Actuarially Determined Contribution	\$ 69	\$ 111	\$ 285	\$ 655	\$ 886	\$ 1,050
Contributions in Relation to the Actuarially Determined Contribution	\$ 69	\$ 111	\$ 285	\$ 655	\$ 886	\$ 1,050
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 68,660	\$ 69,762	\$ 96,533	\$ 151,878	\$ 161,131	\$ 150,379
Contributions as a Percentage of Covered Employee Payroll	0.10%	0.16%	0.30%	0.43%	0.55%	0.70%

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:

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

Actuarial Cost Method Entry Age Normal (EAN)

Inflation 2.50%

Salary Increases 3.50% to 11.50%, including inflation

Discount Rate ** 4.05%

Retirees' Share of Benefit-Related Costs \$0

Administrative Expenses All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality Rates - Service Retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality Rates - Disabled Retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes There were no benefit changes during the year.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

CITY OF BERRYVILLE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST 10 MEASUREMENT YEARS *

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Service Cost	\$ 9,474	\$ 9,168	\$ 11,604	\$ 608	\$ 488	\$ 444
Interest (on the Total OPEB Liability)	479	506	655	561	500	496
Changes in benefits terms	-	-	-	-	-	-
Difference between expected and actual experience	(7,292)	(9,222)	(11,564)	(583)	25	-
Change in assumptions	(6,511)	549	2,395	2,850	(946)	1,078
Benefit payments, including refund of employee contributions	(346)	(516)	(273)	(164)	(70)	(71)
Net Change in Total OPEB Liability	(4,196)	485	2,817	3,272	(3)	1,947
Total OPEB Liability - Beginning	<u>21,466</u>	<u>20,981</u>	<u>18,164</u>	<u>14,892</u>	<u>14,895</u>	<u>12,948</u>
Total OPEB Liability - Ending (a)	<u>\$ 17,270</u>	<u>\$ 21,466</u>	<u>\$ 20,981</u>	<u>\$ 18,164</u>	<u>\$ 14,892</u>	<u>\$ 14,895</u>
Covered Employee Payroll	\$ 150,379	\$ 161,131	\$ 151,878	\$ 96,533	\$ 69,762	\$ 70,503
Total OPEB Liability as a Percentage of Covered Payroll	11.48%	13.32%	13.81%	18.82%	21.35%	21.13%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule of Changes in Total OPEB Liability and Related Ratios:

Valuation of Assets - The SDBF covers both active and retiree benefits with no segregation of assets, and therefore, does not meet the definition of a trust under GASB No. 75 paragraph 4b (i.e. no assets are accumulated for OPEB).



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

The Honorable Mayor Hewlett and
Members of the City Council
City of Berryville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Berryville, Texas, as of and for the year-ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Berryville, Texas’ basic financial statements and have issued our report thereon dated October 28, 2024.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 23-01, 23-02, and 23-03 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Berryville, Texas' Response to Findings

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

Purpose of this Report

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

Frank Campos & Associates, PLLC

Frank Campos & Associates, PLLC
Palestine, Texas
October 28, 2024

**CITY OF BERRYVILLE, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Material Weaknesses

23-01 Audit Adjustments

Condition

In the normal course of the audit process, the auditor recommends adjustments to the City's accounting records, as well as proposes other adjustments needed for preparing full accrual statements in compliance with GASB 34. The City does not have specific controls in place to eliminate all adjustments.

Criteria

A good system of internal control over financial reporting includes a person with the skills, knowledge, and experience in governmental accounting to ensure proper reporting in compliance with *Governmental Accounting Standards* and adherence to relevant local government code.

Cause

The City does not have specific controls in place to eliminate all adjustments to ensure amounts in the financial statements are complete and accurate.

Effect

The effects were material misstatements of the City's financial report. The potential effects from these conditions, if not corrected, include risk of error or fraud going undetected.

Recommendation

We recommend that management establishes and implements policies and procedures to ensure amounts reported in the City's financial statements are complete and accurate.

City's response

We concur with recommendations.

23-02 Segregation of Duties

Condition

Currently, the person responsible for billing utilities and maintaining account receivable ledgers also collects utility payments.

Criteria

An essential element of any internal control system is the Separation of Duties functions in such a manner that no single individual could perpetrate an error and conceal it without the error being discovered in a timely manner. Three general categories of functions that should be separated to achieve effective internal control are maintaining custody of assets, authorizing transactions, and recording transactions. In a small city, segregation of duties often presents difficulties due to the limited number of employees. However, even those with few employees may be able to assign responsibilities to achieve adequate segregation.

Cause

The City has a limited number of employees.

Effect

Financial statement misstatement by error or fraud could go undetected.

**CITY OF BERRYVILLE, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

23-02 Segregation of Duties (Continued)

Recommendation

We recommend this individual's functions be segregated in order to ensure functions in two or more of the above categories are not performed by this employee.

City's Response

The City does not have the resources for additional employees for proper separation, but does engage the services of a third-party CPA to review and adjust the City's books on an annual basis.

23-03 Expenditures over Appropriations

Condition

During the audit, we noted the General Government, Public Safety, Community Services, and Debt Service categories of expenditures in excess of appropriations by \$5,633; \$5; \$606; and \$1,440, respectively.

Criteria

The Texas Local Government Code Chapter 102, Municipal Budget, requires municipalities to spend funds in strict compliance with the budget, except in emergency. The City Council may authorize emergency expenditures as an amendment to the original budget.

Cause

It appears the City did not formally amend the budget before expending funds.

Effect

The effect was noncompliance with the Texas Local Government Code.

Recommendation

We recommend the City strictly adhere to the budget and take proper steps when changes are needed by amending the original budget.

City's response

Although, the budget was not formally amended, all expenditures were discussed and approved by the Council.

**CITY OF BERRYVILLE, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Finding</u>	<u>Current Status</u>
Finding 22-01 The City did not have specific controls in place to eliminate all adjustments.	See Finding 23-01
Finding 22-02 The person responsible for billing utilities and maintaining account receivable ledgers also collected utility payments.	See Finding 23-02
Finding 22-03 The City's public safety and debt service expenditures were over budget by \$5 and \$1,885, respectively.	See Finding 23-03