

CITY OF LEFORS, TEXAS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Lefors
P. O. Box 185
Lefors, Texas 79054

Members of the Council:

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lefors, Texas, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Basis for Opinions

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lefors, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lefors, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8; schedule of changes in net pension liability and related ratios; schedule of contributions; schedule of changes in OPEB liability and related ratios and schedule of City's OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024, on our consideration of the City of Lefors, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

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

Foster, Lambert & Foard LLC

Foster, Lambert & Foard, LLC
March 11, 2024

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

Within this section of the City of Lefors (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focused on the City's primary government.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, education, and culture and recreation. Business-type activities include water utilities, and solid waste management.

The City's financial reporting entity includes the funds of the City (primary government). Most of these legally separate organizations operate like City departments or are governed by a board of trustees wholly comprised of the City's Mayor and Council.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

The City has two kinds of funds:

Governmental funds-Most of the City's basic services are reported in governmental funds. These uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds-The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

Financial Analysis of the City as a Whole

The following table provides a summary of the City's net position at September 30, 2023.

SUMMARY OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 683,979	\$ 629,280	\$ 204,166	\$ 49,033	\$ 888,145	\$ 678,313
Capital assets-net	<u>86,044</u>	<u>98,454</u>	<u>1,231,599</u>	<u>1,235,020</u>	<u>1,317,643</u>	<u>1,333,474</u>
Total assets	<u>770,023</u>	<u>727,734</u>	<u>1,435,765</u>	<u>1,284,053</u>	<u>2,205,788</u>	<u>2,011,787</u>
Deferred outflows	<u>2,768</u>	<u>10,595</u>	<u>4,328</u>	<u>18,040</u>	<u>7,096</u>	<u>28,635</u>
Other liabilities	18,232	18,551	100,786	140,108	119,018	158,659
Noncurrent liabilities	<u>1,549</u>	<u>3,178</u>	<u>550,389</u>	<u>480,989</u>	<u>551,938</u>	<u>484,167</u>
Total liabilities	<u>19,781</u>	<u>21,729</u>	<u>651,175</u>	<u>621,097</u>	<u>670,956</u>	<u>642,826</u>
Deferred inflows	<u>3,301</u>	<u>7,647</u>	<u>5,161</u>	<u>12,464</u>	<u>8,462</u>	<u>20,111</u>
Net position:						
Net investment in						
capital assets	86,044	98,454	683,633	1,014,860	769,677	1,113,314
Restricted	650,618	607,990	-	-	650,618	607,990
Unrestricted – (Deficit)	<u>13,047</u>	<u>2,509</u>	<u>100,124</u>	<u>(346,328)</u>	<u>113,171</u>	<u>(343,819)</u>
Total net position	<u>\$ 749,709</u>	<u>\$ 708,953</u>	<u>\$ 783,757</u>	<u>\$ 668,532</u>	<u>\$ 1,533,466</u>	<u>\$ 1,377,485</u>

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Revenues:						
Program revenues						
Charges for services	\$ 12,130	\$ 21,375	\$ 623,268	\$ 483,602	\$ 635,398	\$ 504,977
Operating grants and Contributions						
	118	-	-	-	118	-
Capital Grants and Contributions						
	10,879	280	-	-	10,879	280
General revenues						
Property taxes	71,065	78,775	-	-	71,065	78,775
Franchise taxes	16,839	17,971	-	-	16,839	17,971
Sales taxes	31,971	38,623	-	-	31,971	38,623
Interest income	2,609	24,557	-	-	2,609	24,557
Other income	<u>12,789</u>	<u>21,660</u>	<u>60,451</u>	<u>303</u>	<u>73,240</u>	<u>21,963</u>
Total revenues	<u>158,400</u>	<u>203,241</u>	<u>683,719</u>	<u>483,905</u>	<u>842,119</u>	<u>687,146</u>
Expenses:						
General government	4,808	8,470	-	-	4,808	8,470
Administration	246,587	312,695	-	-	246,587	312,695
Public safety	14,811	9,483	-	-	14,811	9,483
Water, Sewer, Sanitation	-	-	403,424	512,479	403,424	512,479
Gas operations	<u>-</u>	<u>-</u>	<u>94,378</u>	<u>-</u>	<u>94,378</u>	<u>-</u>
Total expenses	<u>266,206</u>	<u>330,648</u>	<u>497,802</u>	<u>512,479</u>	<u>764,008</u>	<u>843,127</u>
Increase (decrease) in net assets before transfers	(107,806)	(127,407)	185,917	(28,574)	78,111	(155,981)
Transfers In (Out)	<u>(56,987)</u>	<u>86,651</u>	<u>56,987</u>	<u>(86,651)</u>	<u>-</u>	<u>-</u>
Change in net position	(164,793)	(40,756)	242,904	(115,225)	78,111	(155,981)
Beginning net position	914,502	749,709	540,853	783,757	1,455,355	1,533,466
Ending net position	<u>\$ 749,709</u>	<u>\$ 708,953</u>	<u>\$ 783,757</u>	<u>\$ 668,532</u>	<u>\$1,533,466</u>	<u>\$ 1,377,485</u>

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$604,984. Of this year-end total, the city had unrestricted funds totaling \$(3,006).

The total ending fund balances of governmental funds showed an decrease of \$54,030 from current year activity.

Proprietary funds

Proprietary Funds - Revenues of the City's business-type activities were \$483,905 which consisted mostly of water, gas, sewer, and sanitation system charges. Water, gas, sewer, and sanitation system expenses for the year ended September 30, 2023, exceeded revenues by \$28,574.

General Fund Budgetary Highlights

The General Fund budgeted expenditures for fiscal year 2023 were \$253,853.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its government-wide activities as of September 30, 2023, amounts to \$1,333,474 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements.

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities 2022	Governmental Activities 2023	Business- type Activities 2022	Business- type Activities 2023	Total 2022	Total 2023
Land	\$ 16,938	\$ 16,938	\$ -	\$ -	\$ 16,938	\$ 16,938
Improvements	-	-	974,209	978,450	974,209	978,450
Buildings	31,200	28,800	-	-	31,200	28,800
Equipment	37,906	52,716	257,390	256,570	295,296	309,286
Totals	<u>\$ 86,044</u>	<u>\$ 98,454</u>	<u>\$ 1,231,599</u>	<u>\$ 1,235,020</u>	<u>\$ 1,317,643</u>	<u>\$1,333,474</u>

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

Debt

At year-end, the City had long term debt of \$547,966, as shown below:

Outstanding Debt at Year-end

	Governmental Activities 2022	Governmental Activities 2023	Business-type Activities 2022	Business-type Activities 2023	Total 2022	Total 2023
Notes payable	\$ -	\$ -	\$ 288,071	\$ 220,160	\$ 288,071	\$ 220,160
Certificates of Obligation	<u>-</u>	<u>-</u>	<u>329,511</u>	<u>327,806</u>	<u>329,511</u>	<u>327,806</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 617,582</u>	<u>\$ 547,966</u>	<u>\$ 617,582</u>	<u>\$ 547,966</u>

Economic Factors and Next Year

Budgeted revenues for the general fund for the 2023-2024 year are up \$4,442 from the 2022-2023 final budget, while expenditures are down by \$253.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City of Lefors, P.O. Box 383, Lefors, Texas, 79054.

CITY OF LEFORS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 225	\$ 600	\$ 825
Receivables (net of allowances for uncollectibles)	21,065	44,033	65,098
Restricted assets;			
Cash and cash equivalents	607,990	4,400	612,390
Capital assets (net of accumulated depreciation):			
Land	16,938	-	16,938
Buildings and systems	28,800	978,450	1,007,250
Equipment	52,716	256,570	309,286
	<u>727,734</u>	<u>1,284,053</u>	<u>2,011,787</u>
Total assets			
	<u>727,734</u>	<u>1,284,053</u>	<u>2,011,787</u>
Deferred Outflows of Resources			
Pension-related outflows	10,595	18,040	28,635
Liabilities			
Current Liabilities:			
Bank overdraft	2,305	-	2,305
Accounts payable and other current liabilities	11,956	58,108	70,064
Accrued wages payable	4,290	5,300	9,590
Utility meter deposits	-	4,400	4,400
Notes payable - current	-	70,578	70,578
Certificate of obligation - current	-	1,722	1,722
	<u>18,551</u>	<u>140,108</u>	<u>158,659</u>
Total current liabilities			
	<u>18,551</u>	<u>140,108</u>	<u>158,659</u>
Noncurrent liabilities:			
Notes payable - long term	-	149,582	149,582
Certificate of obligation- long term	-	326,084	326,084
Net pension liability	2,548	4,338	6,886
Net OPEB liability	630	985	1,615
	<u>3,178</u>	<u>480,989</u>	<u>484,167</u>
Total noncurrent liabilities			
	<u>3,178</u>	<u>480,989</u>	<u>484,167</u>
Total liabilities	<u>21,729</u>	<u>621,097</u>	<u>642,826</u>
Deferred Inflows of Resources			
Pension-related inflows	3,622	6,168	9,790
OPEB-related inflows	4,025	6,296	10,321
Total deferred inflows of resources	<u>7,647</u>	<u>12,464</u>	<u>20,111</u>
Net Position			
Net investment in capital assets	98,454	1,014,860	1,113,314
Restricted	607,990	-	607,990
Unrestricted	2,509	(346,328)	(343,819)
Total net position	<u>\$ 708,953</u>	<u>\$ 668,532</u>	<u>\$ 1,377,485</u>

The accompanying notes are an integral part of this financial statement

CITY OF LEFORS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
Judicial	\$ 8,470	\$ 18,925	\$ -	\$ -	\$ 10,455	\$ -	\$ 10,455
Financial administration	312,695	50	-	-	(312,645)	-	(312,645)
Police	9,483	-	-	-	(9,483)	-	(9,483)
Cemetery	-	2,400	-	280	2,680	-	2,680
Total governmental activities	<u>330,648</u>	<u>21,375</u>	<u>-</u>	<u>280</u>	<u>(308,993)</u>	<u>-</u>	<u>(308,993)</u>
Business-type activities:							
Water, Sewer and Sanitation	<u>512,479</u>	<u>483,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,877)</u>	<u>(28,877)</u>
Total business-type activities	<u>512,479</u>	<u>483,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,877)</u>	<u>(28,877)</u>
Total primary government	<u>843,127</u>	<u>504,977</u>	<u>-</u>	<u>280</u>	<u>(308,993)</u>	<u>(28,877)</u>	<u>(337,870)</u>
General revenues:							
Property taxes					78,775	-	78,775
Sales tax					17,971	-	17,971
Franchise taxes					38,623	-	38,623
Unrestricted investment earnings					24,557	-	24,557
Miscellaneous income					21,660	303	21,963
Transfers					86,651	(86,651)	-
Total general revenues and transfers					<u>268,237</u>	<u>(86,348)</u>	<u>181,889</u>
Change in net positin					<u>(40,756)</u>	<u>(115,225)</u>	<u>(155,981)</u>
Net position - October 1					749,709	783,757	1,533,466
Net position - September 30					<u>\$ 708,953</u>	<u>\$ 668,532</u>	<u>\$ 1,377,485</u>

The accompanying notes are an integral part of this statement

CITY OF LEFORS, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2023

	2023		
	General Fund	Capital Project Fund	Total Government Funds
ASSETS			
Cash and cash equivalents	\$ 225	\$ -	\$ 225
Receivables (net of allowances for uncollectibles)	21,065	-	21,065
Restricted assets:			
Cash and cash equivalents	16,269	591,721	607,990
Total assets	\$ 37,559	\$ 591,721	\$ 629,280
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Bank overdraft	2,305		2,305
Accounts payable and other current liabilities	11,956	-	11,956
Accrued wages payable	4,290	-	4,290
Total liabilities	18,551	-	18,551
Deferred inflows:			
Property tax revenue	5,745	-	5,745
Fund balances:			
Restricted for:			
Security	2,557	-	2,557
Technology	1,215	-	1,215
Public Safety	1,458		1,458
Capital projects	-	591,721	591,721
Assigned:			
Cemetery	11,039	-	11,039
Unassigned	(3,006)	-	(3,006)
Total fund balances	13,263	591,721	604,984
Total liabilities and fund balances	\$ 37,559	\$ 591,721	\$ 629,280

The accompanying notes are an integral part of this financial statement.

CITY OF LEFORS, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	\$ 604,984
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the year, the cost of these assets was \$208,977 and the accumulated depreciation was \$122,933. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.

	86,044
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Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases to capital assets and reductions in long-term debt in the government wide financial statements. The net effect of including the 2023 capital outlays and debt principal payments is to increase (decrease) net position

	18,390
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The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

	(5,980)
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Included in the items related to liabilities is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,548, a deferred resource inflow related to TMRS in the amount of \$3,622 and a deferred resource outflow related to TMRS in the amount of \$10,595. The net affect of this is to decrease net position.

	4,425
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Included in the items related to liabilities is the recognition of the City's proportionate share of the OPEB liability required by GASB 75 in the amount of \$630, a deferred resource inflow related to OPEB in the amount of \$4,025. The net affect of this is to decrease net position.

	(4,655)
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Property tax and fines receivables are not available for current period expenditures and therefore are deferred in the funds.

	5,745
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Net Position of Governmental Activities	<u><u>\$ 708,953</u></u>
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The accompanying notes are an integral part of this statement

CITY OF LEFORS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023		
	General Fund	Capital Projects Fund	Total Government Funds
Revenues			
Taxes:			
Property	\$ 77,726	\$ -	\$ 77,726
Sales	17,971	-	17,971
Franchise	38,623	-	38,623
Cemetery revenue	2,400	-	2,400
Grants and contributions	280	-	280
Fines and forfeitures	18,925	-	18,925
Investment earnings	135	24,422	24,557
Other revenues	21,710	-	21,710
Total revenues	<u>177,770</u>	<u>24,422</u>	<u>202,192</u>
Expenditures			
Current:			
General Government:			
Judicial	8,470	-	8,470
Financial administration	324,993	-	324,993
Police	9,483	-	9,483
Total expenditures	<u>342,946</u>	<u>-</u>	<u>342,946</u>
Excess of revenues over (under) expenditures	<u>(165,176)</u>	<u>24,422</u>	<u>(140,754)</u>
Other financing sources (uses)			
Operating transfers net	85,364	1,360	86,724
Total other financing sources (uses)	<u>85,364</u>	<u>1,360</u>	<u>86,724</u>
Net change in fund balance	(79,812)	25,782	(54,030)
Fund balance - October 1	<u>93,075</u>	<u>565,939</u>	<u>659,014</u>
Fund balance - September 30	<u>\$ 13,263</u>	<u>\$ 591,721</u>	<u>\$ 604,984</u>

The accompanying notes are an integral part of this statement

CITY OF LEFORS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances-total governmental funds	\$ (54,030)
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 are allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	12,410
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current-year change recognized in the government-wide financial statements is \$1,049. This results in a increase in net assets.	1,049
The implementation of GASB 68 & GASB 75 required that certain expenditures be de-expended and recorded as deferred resource inflows. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date had to be amortized. The net effect is to increase net position	(185)
Changes in net assets of governmental activities	\$ (40,756)

The accompanying notes are an integral part of this statement.

CITY OF LEFORS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2023

	2023		
	Water, Sewer and Sanitation	Gas Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	600	-	600
Accounts receivable (net of allowance for uncollectibles)	44,033	-	44,033
Restricted assets;			
Cash and cash equivalents	4,400	-	4,400
Total current assets	49,033	-	49,033
Noncurrent assets:			
Net pension asset	-	-	-
Capital assets:			
Improvements	1,711,257	-	1,711,257
Machinery and equipment	527,830	-	527,830
Less accumulated depreciation	(1,004,067)	-	(1,004,067)
Total noncurrent assets	1,235,020	-	1,235,020
Total assets	1,284,053	-	1,284,053
Deferred Outflows of Resources			
Pension-related outflows	18,040	-	18,040
Total deferred outflows of resources	18,040	-	18,040
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	58,108	-	58,108
Accrued wages payable	5,300	-	5,300
Utility meter deposits	4,400	-	4,400
Notes payable-current	70,578	-	70,578
Certificate of obligation-current	1,722	-	1,722
Total current liabilities	140,108	-	140,108
Noncurrent liabilities:			
Net OPEB liability	985	-	985
Net pension liability	4,338	-	4,338
Notes payable-noncurrent	149,582	-	149,582
Certificate of obligation-noncurrent	326,084	-	326,084
Total noncurrent liabilities	480,989	-	480,989
Total liabilities	621,097	-	621,097
Deferred Inflows of Resources			
Pension-related inflows	6,168	-	6,168
OPEB-related inflows	6,296	-	6,296
Total deferred inflows of resources	12,464	-	12,464
Net Position			
Net investment in capital assets	1,014,860	-	1,014,860
Unrestricted	(346,328)	-	(346,328)
Total net position	668,532	-	668,532

The accompanying notes are an integral part of this statement.

CITY OF LEFORS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023		
	Water, Sewer and Sanitation	Gas Fund	Total Enterprise Funds
Operating revenues:			
Charges for sales and services:			
Water	\$ 483,602	\$ -	\$ 483,602
Gas	-	303	303
Total operating revenues	<u>483,602</u>	<u>303</u>	<u>483,905</u>
Operating expenses:			
Personnel services - salaries and wages	157,160	-	157,160
Personnel services - employee benefits	34,053	-	34,053
Purchased professional & technical services	34,817	-	34,817
Purchased property services	175,142	-	175,142
Other operating expenses	20,539	-	20,539
Depreciation and amortization	77,741	-	77,741
Total operating expenses	<u>499,452</u>	<u>-</u>	<u>499,452</u>
Operating income	<u>(15,850)</u>	<u>303</u>	<u>(15,547)</u>
Non-operating revenues (expenses):			
Interest expense	<u>(13,027)</u>	<u>-</u>	<u>(13,027)</u>
Total non-operating revenues (expenses)	<u>(13,027)</u>	<u>-</u>	<u>(13,027)</u>
Income before contributions and transfers	(28,877)	303	(28,574)
Non-operating transfer net	<u>(36,825)</u>	<u>(49,826)</u>	<u>(86,651)</u>
Change in net position	(65,702)	(49,523)	(115,225)
Total net position - October 1	<u>734,234</u>	<u>49,523</u>	<u>783,757</u>
Total net position - September 30	<u>\$ 668,532</u>	<u>\$ -</u>	<u>\$ 668,532</u>

The accompanying notes are an integral part of this statement.

CITY OF LEFORS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023		
	Water, Sewer and Sanitation	Gas Fund	Total Business-type Activities
Cash flows from operating activities			
Receipts from customers and users	\$ 480,943	\$ 303	\$ 481,246
Payments to suppliers	(191,470)	(300)	(191,770)
Payments to employees	(190,242)	-	(190,242)
Net cash provided by operating activities	<u>99,231</u>	<u>3</u>	<u>99,234</u>
Cash flows provided by noncapital financing activities			
Operating transfers	<u>(36,825)</u>	<u>(49,826)</u>	<u>(86,651)</u>
Cash flows from capital and related financing activities			
Purchase of equipment	(81,162)	-	(81,162)
Interest paid on debt	(14,611)	-	(14,611)
Principal paid on long-term debt	(69,616)	-	(69,616)
Net cash (used) by capital and related financing activities	<u>(165,389)</u>	<u>-</u>	<u>(165,389)</u>
Cash flows from investing activities			
Receipts (repayment) of customer deposits	<u>(1,800)</u>	<u>-</u>	<u>(1,800)</u>
Net increase in cash and cash equivalents	(104,783)	(49,823)	(154,606)
Cash and cash equivalents at beginning of year	<u>109,783</u>	<u>49,823</u>	<u>159,606</u>
Cash and cash equivalents at end of year	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (15,850)	\$ 303	\$ (15,547)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	77,741	-	77,741
(Increase) decrease in current assets:			
Receivables	(2,659)	-	(2,659)
Deferred outflow	(13,712)	-	(13,712)
Increase (decrease) in current liabilities:			
Accounts payable	39,028	(300)	38,728
Postemployment liabilities	6,086	-	6,086
Deferred inflow	7,303	-	7,303
Accrued wages	1,294	-	1,294
Net cash provided by operating activities	<u>\$ 99,231</u>	<u>\$ 3</u>	<u>\$ 99,234</u>

The accompanying notes are an integral part of this statement.

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

City of Lefors (the "City") is a Governmental agency operating under the applicable laws and regulations of the State of Texas. It is governed by a six-member City Council (the "Council") elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board.

A. REPORTING ENTITY:

The City Council (the "Council") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity."

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Lefors nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include utility charges in the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING:

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** – The capital projects fund is used to account for funds reserved for capital improvements.

Proprietary Funds:

1. **Enterprise Funds** – The City uses this fund for water, sewer, sanitation, and gas service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

E. OTHER ACCOUNTING POLICIES:

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. 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.
3. Capital assets, which include land, buildings, furniture and equipment, 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 estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Amount</u>
Land/Land Improvements		Any Amount
Building/Building Improvements	50	25,000
Facilities and Other Improvements	30	25,000
Infrastructure	35	50,000
Personal Property/Equipment	10	5,000
Leasehold Improvements	20	25,000

4. Under the GASB 34 reporting rules, governmental entities with gross annual revenues under \$10 million are exempt from reporting infrastructure assets retroactively prior to October 1, 2004. The City has elected to only report their infrastructure assets acquired after October 1, 2004, in regard to their capitalization policy.
5. Fund Equity, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
 - Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
 - Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City’s governmental funds have been restated to reflect the above classifications.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

6. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first, the unrestricted resources as they are needed.
7. 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. During the year ended September 30, 2023, the government carried insurance through various commercial carriers, including the Texas Municipal League, to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.
8. In addition to assets, the statement of net position and/or balance sheet can report deferred outflows and resources. Deferred outflow of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. The City has no items that qualify for reporting in this category in the governmental funds. However, for the governmental activities, the amount reported in the category pertains to the City’s participation in the Texas Municipal Retirement System (TMRS) of \$10,595.

In addition to liabilities, the statement of net position and/or balance sheet can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. The City has property taxes \$5,745, that will be recognized in the governmental funds in a future period. For the governmental activities, the amount reported in this category pertains to the City’s participation in TMRS \$7,647.

9. The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. BUDGETARY DATA

The City Council adopts an "appropriated budget" for the General Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

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

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. Prior to September 1 the City prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the 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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

A. DEPOSITS AND INVESTMENTS:

Cash includes demand deposits. The City is authorized to invest its funds under State law in obligations of the United States or its agencies, the State of Texas or its agencies, other obligations which are unconditionally guaranteed by the State of Texas or the United States, obligations of other governmental agencies with a bond rating of not less than AA or its equivalent, and certificates of deposit that are insured by Federal depository insurance and fully collateralized direct repurchase agreements. During the year ended September 30, 2023, the City did not own any investments other than those permitted by statute.

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing accounts) was \$610,911 and the bank balance was \$619,461. The City's cash deposits at September 30, 2023, and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

For purposes of the statements of cash flows, investments with an original maturity of three months or less when purchased are considered cash equivalents.

Deposits of the City can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security of from any one individual issuer will be minimized. At year-end, the City was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the City's name. At year-end, the City was not significantly exposed to custodial credit risk.
-
- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer,

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

and class of security. At year-end, the City was not significantly exposed to concentration of credit risk related to deposits and investments.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City’s policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the City was not exposed to interest rate risk.

- Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the city was not exposed to foreign currency risk.

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE:

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. RECEIVABLES:

Receivables at September 30, 2023, were as follows:

	General Fund	Enterprise Fund	Total
Taxes and assessments	\$ 26,809	\$ -	\$ 26,809
Customer-trade	<u>-</u>	<u>44,033</u>	<u>44,033</u>
Gross receivables	26,809	44,033	70,842
Less: Allowance for uncollectible accounts	<u>5,744</u>	<u>-</u>	<u>5,744</u>
Net total receivables	<u>\$ 21,065</u>	<u>\$ 44,033</u>	<u>\$ 65,098</u>

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

Governmental Fund:	
Cemetery	\$ 11,039
Security and Technology	3,772
Public Safety	1,458
Capital Projects	<u>591,721</u>
Cash and cash equivalents	<u>\$ 607,990</u>
Proprietary Fund:	
Meter deposits	<u>\$ 4,400</u>

F. CAPITAL ASSET ACTIVITY;

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

	Primary Government			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	
Governmental Activities:				
Land	\$ 16,938	\$ -	\$ -	\$ 16,938
Buildings and Improvements	120,000	-	-	120,000
Equipment	<u>72,039</u>	<u>18,390</u>	-	<u>90,429</u>
Totals at Historic Cost	<u>208,977</u>	<u>18,390</u>	-	<u>227,367</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(88,800)	(2,400)	-	(91,200)
Equipment	<u>(34,133)</u>	<u>(3,580)</u>	-	<u>(37,713)</u>
Total Accumulated Depreciation	<u>(122,933)</u>	<u>(5,980)</u>	-	<u>(128,913)</u>
Governmental Activities Capital Assets, Net	<u>\$ 86,044</u>	<u>\$ 12,410</u>	<u>\$ -</u>	<u>\$ 98,454</u>
Business-type Activities-Water Sewer and Sanitation Department:				
Improvements	\$ 1,662,135	\$ 49,122	\$ -	\$ 1,711,257
Equipment	<u>495,790</u>	<u>32,040</u>	-	<u>527,830</u>
Totals at Historic Cost	<u>2,157,925</u>	<u>81,162</u>	-	<u>2,239,087</u>
Less Accumulated Depreciation				
Improvements	(687,926)	(44,881)	-	(732,807)
Equipment	<u>(238,400)</u>	<u>(32,860)</u>	-	<u>(271,260)</u>
Total Accumulated Depreciation	<u>(926,326)</u>	<u>(77,741)</u>	-	<u>(1,004,067)</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,231,599</u>	<u>\$ 3,421</u>	<u>\$ -</u>	<u>\$ 1,235,020</u>
Business-type Activities-Gas Department:				
Equipment	<u>\$ 21,340</u>	<u>\$ -</u>	<u>\$ 21,340</u>	<u>\$ -</u>
Totals at Historic Cost	<u>21,340</u>	<u>-</u>	<u>21,340</u>	<u>-</u>
Less Accumulated Depreciation				
Equipment	<u>(21,340)</u>	<u>-</u>	<u>(21,340)</u>	<u>-</u>
Total Accumulated Depreciation	<u>(21,340)</u>	<u>-</u>	<u>(21,340)</u>	<u>-</u>
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

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

Governmental activities:	
Administrative services	<u>\$ 5,980</u>
Business-type activities:	
Water, Sewer and Sanitation	<u>\$ 77,741</u>

G. LONG-TERM DEBT PAYABLE:

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2023

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Business-type activities:					
Notes payable	<u>\$ 288,071</u>	<u>\$ -</u>	<u>\$ 67,911</u>	<u>\$ 220,160</u>	<u>\$ 70,578</u>

At September 30, 2023, the City had a note payable of \$143,762 for repairs to the waste water treatment plant. The note is due in yearly installments of \$51,775, and is accruing interest at 3.62%, with the final payment due February 1, 2026. The note is secured by financing statement collateral.

Annual debt service requirements for the note payable are as follows:

Years Ended September 30	Principal	Loans Interest	Total Requirements
Business-type activities:			
2024	46,068	5,707	51,775
2025	47,896	3,879	51,775
2026	<u>49,798</u>	<u>1,977</u>	<u>51,775</u>
Total	<u>\$ 143,762</u>	<u>\$ 11,563</u>	<u>\$ 155,325</u>

At September 30, 2023, the City had a note payable of \$76,398 for a new trash truck. The note is due in yearly installments of \$27,452, and is accruing interest at 3.85%, with the final payment due June 10, 2026. The note is secured by the asset as collateral.

Annual debt service requirements for the note payable are as follows:

Years Ended September 30	Principal	Loans Interest	Total Requirements
Business-type activities:			
2024	24,510	2,941	27,451
2025	25,454	1,998	27,452
2026	<u>26,434</u>	<u>1,018</u>	<u>27,452</u>
Total	<u>\$ 76,398</u>	<u>\$ 5,957</u>	<u>\$ 82,355</u>

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Business-type activities:					
Certificate of Obligation	\$ 329,511	\$ -	\$ 1,705	\$ 327,806	\$ 1,722

In May of 2020 the City entered into an agreement with the Texas Water Development Board through Specialized Public Finance to issue Certificates of Obligation in the amount of \$395,000 with an imputed interest rate of 1%. Repayment of the certificates of obligation is due in annual installments, with the final payment due September 30, 2050. These funds are for repairs to the sewer plant.

Annual debt service requirements for notes payable are as follows:

Years Ended <u>September 30</u>	Principal	Loans Interest	Total Requirements
Business-type activities:			
2024	1,722	3,278	5,000
2025	1,739	3,261	5,000
2026	1,757	3,243	5,000
2027	11,774	3,226	15,000
2028	11,892	3,108	15,000
2029-33	61,267	13,733	75,000
2034-38	64,392	10,608	75,000
2039-43	67,677	7,323	75,000
2044-48	71,129	3,871	75,000
2049-50	34,457	543	35,000
Total	<u>\$ 327,806</u>	<u>\$ 52,194</u>	<u>\$ 380,000</u>

H. VACATION:

The outstanding liability for vacation and sick leave benefits is not a material factor and is not reflected in these financial statements.

I. RETIREMENT:

Plan Description

The City of Lefors participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (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 annual comprehensive financial report (ACFR) that can be obtained at www.tmr.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 statues governing TMRS.

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

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.

Plan provisions for the City of Lefors were as follows:

Deposit rate:	5%
Matching ratio (to employee)	1 to 1
A member is vested after:	5 years
Service retirement eligibility	60/5, 0/20
Updated service credit	0%
Annuity increase (no retirees)	0% of CPI

Employees covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>6</u>
Total	22

Contributions

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

Employees for the City of Lefors were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lefors were 3.46% and 2.71% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were \$19,280 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 LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table use for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, health 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 issued 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, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 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. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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 percentages and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Real Return	12.0%	8.10%
Real Estate	12.0%	5.80%
Absolute Return	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

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

	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension Liability</u> (a)-(b)
Balance at 12/31/2021	\$ 104,720	\$ 109,943	\$ (5,223)
Changes for the year:			
Service Cost	20,241	-	20,241
Interest	7,805	-	7,805
Change of benefit terms	5,866	-	5,866
Difference between expected and actual experience	(9,738)	-	(9,738)
Changes in assumptions	-	-	-
Contributions – employer	-	9,992	(9,992)
Contributions – employee	-	10,154	(10,154)
Net investment income	-	(8,094)	8,094
Benefit payments, including refunds of employee contributions	(10,168)	(10,168)	-
Administrative expense	-	(69)	69
Other Changes	-	83	(83)
Net changes	<u>14,006</u>	<u>1,897</u>	<u>12,108</u>
Balance at 12/31/2022	<u>\$ 118,726</u>	<u>\$ 111,840</u>	<u>\$ 6,886</u>

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

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	Current Single Discount Rate Assumption	1% Increase
	5.75%	6.75%	7.75%
City's net pension liability	\$22,822	\$6,886	\$(6,511)

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.

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

For the year ended September 30, 2023, the City recognized pension expense of \$12,864.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 5,277
Changes in actuarial assumptions	586	-
Difference between projected and actual investments earnings	8,031	-
Contributions subsequent to the measurement date	<u>15,505</u>	<u>-</u>
Total	<u>\$ 24,122</u>	<u>\$ 5,277</u>

\$15,505 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2023	\$ (3,721)
2024	1,954
2025	2,004
2026	3,103
2027	-
Thereafter	-
Total	<u>3,340</u>

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

J. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN

Plan Description

The City of Lefors participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). The SDBF is considered to be a single-employer plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits Provided

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

Employees covered by benefit terms:

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

Inactive employees currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>6</u>
Total	<u>6</u>

Contributions

The contribution rates for SDBF for the City of Lefors were .27% and .12% in calendar years 2023 and 2022, respectively. The City’s contributions to SDBF for the year ended September 30, 2023, were \$511, and were equal to the required contributions.

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.5% to 11.5% 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.

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

Note: The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

The discount rate used to measure the OPEB Liability was 4.05%. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the contributing employers are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2022

Sensitivity of the OPEB liability to changes in the discount rate

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

	1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
City's OPEB liability	\$ 2,087	\$ 1,615	\$ 1,272

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2021	\$ <u>3,972</u>
Changes for the year:	
Service cost	9,642
Interest on Total OPEB Liability	162
Change of benefit terms	-
Difference between expected and actual experience	(10,939)
Changes of assumptions or other inputs	(1,222)
Benefit payments*	<u>-</u>
Net changes	<u>(2,357)</u>
Balance at 12/31/2022	\$ <u>1,615</u>

*Due to the SDBF being considered an unfunded OPEB plan under GASB 78, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$8,146.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ 9,893
Changes in actuarial assumptions	-	428
Contributions subsequent to the measurement date	<u>763</u>	<u>-</u>
Total	<u>\$ 763</u>	<u>\$ 10,321</u>

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2023	\$ (1,658)
2024	(1,658)
2025	(1,658)
2026	(1,655)
2027	(1,660)
Thereafter	<u>(2,032)</u>
Total	<u>\$ (10,321)</u>

K. HEALTH CARE COVERAGE:

During the fiscal year, the City pays the full medical insurance premium coverage on each of its participating employees. At each employee's discretion, they may also include their spouse or dependents and the employee pays this coverage by a payroll deduction. The City's share of employee health insurance is \$41,064.

CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

L. DEFERRED REVENUE:

Deferred revenue at year-end consisted of the following:

	General Fund
Net Tax Revenue	<u>\$ 5,745</u>

M. COMMITMENTS AND CONTINGENT LIABILITIES:

The City participates in federally assisted grant programs, namely the Texas Community Development Program. This program is subject to program compliance audits by grantors or their representatives. The City is contingently liable on this program for any disallowed cost incurred. At this time, our findings have not disclosed any disallowed cost, and if any is found, the City expects such amounts to be immaterial.

The City is a defendant from time to time in various lawsuits. In the opinion of the City's management, any liabilities resulting from such lawsuits will not have a material effect on the financial position of the City.

N. INTERFUND TRANSFERS:

Government interfund transfers during the year ended September 30, 2023, were as follows:

	Transfer In	Transfer Out
General Fund	\$ 86,651	\$ -
Enterprise Fund	<u>-</u>	<u>86,651</u>
	<u>\$ 86,651</u>	<u>\$ 86,651</u>

Transfers are used to move unrestricted revenues to finance part of the City's debt service, and to move any amount recorded in the inappropriate fund to the correct fund in which the amount should be accounted for.

O. EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS:

During the year ended September 30, 2023, the City had expenditures in excess of the budgeted amount in the General Fund in the following areas:

Judicial	\$ 4,870
Financial administration	87,440

CITY OF LEFORS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Taxes:				
Property	\$ 72,000	\$ 72,000	\$ 77,726	\$ 5,726
Sales	18,663	18,663	17,971	(692)
Franchise	28,000	28,000	38,623	10,623
Fines and forfeitures	10,500	10,500	18,925	8,425
Investment earnings	-	-	135	135
Other revenues	22,295	22,295	24,390	2,095
Total revenues	<u>151,458</u>	<u>151,458</u>	<u>177,770</u>	<u>26,312</u>
Expenditures				
Current:				
General Government:				
Judicial	3,600	3,600	8,470	(4,870)
Elections	5,000	2,400	-	2,400
Financial administration	234,953	237,553	324,993	(87,440)
Police	10,300	10,300	9,483	817
Total expenditures	<u>253,853</u>	<u>253,853</u>	<u>342,946</u>	<u>(89,093)</u>
Excess of revenues over expenditures	<u>(102,395)</u>	<u>(102,395)</u>	<u>(165,176)</u>	<u>(62,781)</u>
Other financing sources (uses)				
Operating transfers	102,395	102,395	85,364	(17,031)
Total other financing sources (uses)	<u>102,395</u>	<u>102,395</u>	<u>85,364</u>	<u>(17,031)</u>
Net change in fund balance	-	-	(79,812)	(79,812)
Fund balance - October 1	<u>93,075</u>	<u>93,075</u>	<u>93,075</u>	<u>-</u>
Fund balance - September 30	<u>\$ 93,075</u>	<u>\$ 93,075</u>	<u>\$ 13,263</u>	<u>\$ (79,812)</u>

The accompanying notes are an integral part of this financial statement

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2023

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last 10 Year (will ultimately be displayed)

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Total pension liability				
Service Cost	\$ 20,241	\$ 11,232	\$ 6,898	\$ 7,440
Interest (on the Total Pension Liability)	7,805	6,305	5,571	4,756
Changes of benefit terms	5,866	-	-	-
Difference between expected and actual experience	(9,738)	463	(1,949)	144
Change of assumptions	-	-	-	742
Benefit payments, including refunds of employee contributions	<u>(10,168)</u>	<u>(2,149)</u>	<u>(1,477)</u>	<u>-</u>
Net Change in Total Pension Liability	14,006	15,851	9,043	13,082
Total Pension Liability - Beginning	<u>104,720</u>	<u>88,869</u>	<u>79,826</u>	<u>66,744</u>
Total Pension Liability - Ending	<u><u>\$ 118,726</u></u>	<u><u>\$ 104,720</u></u>	<u><u>\$ 88,869</u></u>	<u><u>\$ 79,826</u></u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 9,992	\$ 8,261	\$ 5,402	\$ 5,491
Contributions - Employee	10,154	8,344	5,501	5,568
Net Investment Income	(8,094)	11,089	5,332	7,915
Benefit payments, including refunds of employee contributions	(10,168)	(2,149)	(1,477)	-
Administrative Expense	(69)	(51)	(34)	(44)
Other	83	-	(1)	(1)
Net Change in Plan Fiduciary Net Position	<u>1,897</u>	<u>25,495</u>	<u>14,722</u>	<u>18,929</u>
Plan Fiduciary Net Position - Beginning	<u>109,943</u>	<u>84,448</u>	<u>69,726</u>	<u>50,798</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 111,840</u></u>	<u><u>\$ 109,943</u></u>	<u><u>\$ 84,448</u></u>	<u><u>\$ 69,726</u></u>
Net Pension Liability Ending (a)-(b)	6,886	(5,223)	4,421	10,100
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.20%	104.99%	95.03%	87.35%
Covered Employee Payroll	\$ 203,422	\$ 166,890	\$ 110,011	\$ 111,370
Net Pension Liability as a Percentage of Covered Employee Payroll	3.39%	3.13%	4.02%	9.07%

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2023

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last 10 Year (will ultimately be displayed)

<u>12/31/18</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$ 6,910	\$ 7,558	\$ 6,421	\$ 6,820	\$ 1,867
4,011	3,251	2,742	2,074	1,654
-	-	-	-	22,692
(138)	765	(1,889)	189	-
-	-	-	2,410	-
-	-	(593)	-	-
<u>10,783</u>	<u>11,574</u>	<u>6,681</u>	<u>11,493</u>	<u>26,213</u>
<u>55,961</u>	<u>44,387</u>	<u>37,706</u>	<u>26,213</u>	<u>-</u>
<u>\$ 66,744</u>	<u>\$ 55,961</u>	<u>\$ 44,387</u>	<u>\$ 37,706</u>	<u>\$ 26,213</u>
\$ 5,173	\$ 6,076	\$ 5,236	\$ 5,841	\$ 1,599
5,227	6,125	5,289	5,900	1,615
(1,257)	3,606	1,016	5	-
-	-	(593)	-	-
(24)	(19)	(11)	(3)	-
(1)	(1)	(1)	-	-
<u>9,118</u>	<u>15,787</u>	<u>10,936</u>	<u>11,743</u>	<u>3,214</u>
<u>41,680</u>	<u>25,893</u>	<u>14,957</u>	<u>3,214</u>	<u>-</u>
<u>\$ 50,798</u>	<u>\$ 41,680</u>	<u>\$ 25,893</u>	<u>\$ 14,957</u>	<u>\$ 3,214</u>
15,946	14,281	18,494	22,749	22,999
76.11%	74.48%	58.33%	39.67%	105.94%
\$ 104,544	\$ 122,500	\$ 105,778	\$ 117,999	\$ 217,976
15.25%	11.66%	17.48%	19.28%	0.1226

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2023

SCHEDULE OF CONTRIBUTIONS Last 10 Year (will ultimately be displayed)

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Actuarially Determined Contribution	\$ 9,992	\$ 9,398	\$ 5,402	\$ 5,491	\$ 5,173
Contributions in relation to the actuarially determined contribution	<u>9,992</u>	<u>9,398</u>	<u>5,402</u>	<u>5,491</u>	<u>5,173</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee payroll	\$ 203,422	\$ 166,890	\$ 110,011	\$ 111,370	\$ 104,544
Contributions as a percentage of covered employee payroll	4.91%	5.63%	4.91%	4.93%	4.95%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes Increased city matching ratio from 1-1 to 2-1

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

SCHEDULE OF CONTRIBUTIONS

Last 10 Year (will ultimately be displayed)

<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 6,076	\$ 5,236	\$ 5,841	\$ 4,331
<u>6,076</u>	<u>5,236</u>	<u>5,841</u>	<u>4,331</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 122,500	\$ 105,778	\$ 117,999	\$ 108,762
4.96%	4.95%	4.95%	3.98%

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2023

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS Last 10 Years (will ultimately be displayed)

	<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>
Total OPEB liability						
Service Cost	\$ 9,642	\$ 1,802	\$ 275	\$ 323	\$ 251	\$ 257
Interest on Total OPEB Liability	162	58	45	43	41	31
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(10,939)	(73)	(140)	(200)	(332)	-
Change in assumptions or other inputs	(1,222)	190	304	360	(96)	143
Benefit payments*	-	-	-	-	-	-
Net change in OPEB Liability	<u>(2,357)</u>	<u>1,977</u>	<u>484</u>	<u>526</u>	<u>(136)</u>	<u>431</u>
Total Pension Liability - Beginning	<u>3,972</u>	<u>1,995</u>	<u>1,511</u>	<u>985</u>	<u>1,121</u>	<u>690</u>
Total Pension Liability - Ending	<u>\$ 1,615</u>	<u>\$ 3,972</u>	<u>\$ 1,995</u>	<u>\$ 1,511</u>	<u>\$ 985</u>	<u>\$ 1,121</u>
Covered Employee Payroll	\$ 203,422	\$ 166,890	\$ 110,011	\$ 111,370	\$ 104,544	\$ 122,500
OPEB Liability as a Percentage of Covered Employee Payroll	0.79%	2.38%	1.81%	1.36%	0.94%	0.92%

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

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

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2023

SCHEDULE OF CITY'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS Last 10 Fiscal Years (will ultimately be displayed)

	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Actuarially Determined Contribution	\$ 511	\$ 1,801	\$ 914	\$ 889	\$ 721	\$ 137
Contributions in relation to the actuarially determined contribution	511	1,801	914	889	721	137
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Covered employee payroll	 \$ 203,422	 \$ 166,890	 \$ 110,011	 \$ 111,370	 \$ 104,544	 \$ 122,500
 Contributions as a percentage of covered employee payroll	 0.25%	 1.08%	 0.83%	 0.80%	 0.69%	 0.11%

Notes to Schedule of Contributions

Valuation Date:

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date of December 31, 2019: as such, no roll-forward is required.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF LEFORS, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED SEPTEMBER 30, 2023

Last 10 Years Ended September 30,	Tax Rate	Assessed/Appraised Value for Tax Purposes	Beginning Balance October 1,	Current Year's Total Levy	Maintenance Collections	Entire Year's Adjustments	Ending Balance September 30,
2013 & PRIOR	Various	Various	\$ 128	\$ -	\$ -	\$ -	128
2014	0.25	6,002,586	141	-	-	(104)	37
2015	0.25	6,311,474	137	-	-	-	137
2016	0.25	6,384,600	163	-	6	-	157
2017	0.25	6,470,700	246	-	27	-	219
2018	0.25	5,921,210	248	-	28	-	220
2019	0.99	6,102,500	235	-	28	-	207
2020	0.99	6,102,500	1,622	-	682	-	940
2021	0.99	6,102,500	2,302	-	790	-	1,512
2022	0.99	7,072,410	4,169	-	1,930	-	2,239
2023 (Fiscal year under audit)	0.93	8,320,322		77,551	71,687	(172)	5,692
			<u>\$ 9,391</u>	<u>\$ 77,551</u>	<u>\$ 75,178</u>	<u>\$ (276)</u>	<u>\$ 11,488</u>

Denise Foster C.P.A.
Tracy Lambert C.P.A.
April Foard C.P.A.

330 Main, P.O. Box 7
Childress, Texas 79201 940-937-8681

Independent Auditor's Report

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*

Honorable Mayor and City Council
City of Lefors, Texas
Lefors, Texas 79054

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lefors, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Lefors Texas' basic financial statements, and have issued our report thereon dated March 11, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lefors, 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 City of Lefors, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lefors, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lefors, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Foster, Lambert & Foard LLC".

Foster, Lambert & Foard, L.L.C.
March 11, 2024

CITY OF LEFORS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

I. Summary of the Auditor's Results:

Financial Statements:

- Type of auditor's report issued: **Unmodified.**
- Internal control over financial reporting:
 - Material weakness(es) identified: **None.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Noncompliance material to financial statements noted: **None.**

Federal Awards:

- Internal control over major programs:
 - Material weakness(es) identified: **Not applicable.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **Not applicable.**
- Type of auditor's report issued on compliance for major programs: **Not applicable.**
- Audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a): **Not applicable.**
- Identification of major programs: **None.**
- Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- Auditee qualification as a low-risk auditee: **Not applicable.**

II. Financial Statement Findings:

None.

III. Federal Award Findings and Questioned Costs:

Not applicable.

CITY OF LEFORS, TEXAS

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

N/A