

City of Devine, Texas

**Annual Financial Report
For the Year Ended September 30, 2023**



COTTMAN, HORTON & COMPANY, LTD.

Certified Public Accountants

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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COMMUNICATION WITH AUDIT COMMITTEES

The Honorable Mayor
and Members of the City Council
Devine, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, Texas for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Devine, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Devine, Texas' financial statements were:

Management's estimate of the unavailable tax revenue is based on historic collection percentages. We evaluated the key factors and assumptions used to develop the deferred tax revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the allowance for depreciation are based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the allowance for depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's proportionate share of the collective net position liability is based on actuarial assumptions performed by the state auditor on the City's pension plan. We reviewed these assumptions and calculations by the state auditor and individual testing we did at the city level in determining that it is reasonable in relation to the financial statements taken as a whole.

Managements estimate of the City's proportionate share of the collective other post-employment benefit (OPEB) liability is based on actuarial assumptions performed by the state auditor on the City's OPEB plan. We reviewed these assumptions and calculations by the state auditor and individual testing we did at the city level in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's lease liability and lease assets is based on terms within contractual agreements with vendors who provide the City the right to use certain nonfinancial assets for a defined period of time. We reviewed the assumptions and calculations made by the City for the respective agreements in determining that they are reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. A copy of the adjustments proposed and accepted by management are attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 23, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Devine, Texas' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Changes in Net Pension Liability and Related Ratios for Texas Municipal Retirement System, Schedule of Contributions – Texas Municipal Retirement System, and Schedule of Changes in the Total OPEB Liability and Related Ratios – Texas Municipal Retirement System, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and administration of the City of Devine, Texas and is not intended to be used and should not be used by anyone other than these specified parties.

Sincerely,

Coleman, Horton and Company, LLP

Certified Public Accountants

City of Devine
 2022-2023 Annual Audit
 9/30/2023
 Adjusting Journal Entries - General Fund
 AJE.GF

Type	Fund	Acct #	Account Name	AJERef	DR	CR	Initials
R	01	300-01-300	PROPERTY TAX-CURRENT	1	271.50		
R	01	300-01-302	PROPERTY TAX-DELINQUENT	1	947.94		
R	01	300-01-304	PROPERTY TAX-PENALTY/INT.	1	473.48		
A	01	11-122	Accounts Rec. Other -Appraisal District	1		1,692.92	
R	01	300-01-300	PROPERTY TAX-CURRENT	1		178.10	
R	01	300-01-302	PROPERTY TAX-DELINQUENT	1		244.86	
R	01	300-01-304	PROPERTY TAX-PENALTY/INT.	1		155.49	
A	01	11-122	Accounts Rec. Other -Appraisal District	1	578.45		
To remove prior year receivable from CAD and book current year receivable.							
R	01	300-01-300	PROPERTY TAX-CURRENT	2		6,821.58	
A	01	11-120	DELINQUENT TAX RECEIVABLE	2	11,400.95		
A	01	11-121	ALLOWANCE FOR DELINQUENT TAXES	2		1,140.09	
L	01	21-270	RES. FOR DEL. TAX RECEIVABLE	2		3,439.28	
To adjust taxes receivable, allowance, and deferred at year-end							
A	01	11-127	A/R SALES TAX	3	0.30		
R	01	300-01-312	FRANCHISE TAX - UTILITIES	3	10,960.01		
R	01	300-01-310	CITY SALES TAX REVENUE	3		10,960.31	
To tie to year end receivable balances.							
Q	01	29-290	FUND BALANCE	4		4,925.01	
R	01	300-07-377	CITY HANGER RENTAL	4	4,925.01		
To agree beginning fund balance.							
A	01	11-125	MUNICIPAL CRT A/R ALLOWANCE	5		41.15	
A	01	11-124	MUNICIPAL COURT ACCTS REC.	5	82.29		
L	01	21-272	RESERVE FOR MUNICIPAL CRT A/R	5		41.15	
R	01	300-02-320	MUNICIPAL COURT.REVENUE	5	390.01		
L	01	21-220	COURT COST ON FINES PAYABLE	5		390.00	
To tie to year end balance per court workpaper							
Q	01	29-297	COURT TRUANCY FEE	6	2,504.10		
Q	01	29-298	COURT JURY FEE	6	50.10		
R	01	300-02-324	LOCAL TURANCY FEE	6		2,504.10	
R	01	300-02-325	JURY FEE FUND	6		50.10	
To reclass revenue.							
E	01	450-09-550	UNCOLLECTIBLE ACCOUNTS	7	7,627.84		
A	01	11-139	ALLOW FOR UNCOLL ACCOUNTS	7		7,627.84	
To reclassify to bad debt expense for year-end adjustments							

City of Devine
 2022-2023 Annual Audit
 9/30/2023
 Adjusting Journal Entries - General Fund
 AJE.GF

Type	Fund	Acct #	Account Name	AJERef	DR	CR	Initials
E	01	495-00-195	TRANSFER TO TIFF FUND	8	39,270.04		
A	01	11-191	DUE TO/FROM TIFF	8		39,270.04	
To reclassify transfer to correct account							
A	01	11-131	PAVING ASSESSMENT RECEIVABLE	9		1,734.59	
L	01	21-271	RESERVE FOR PAVING ASSMTS	9	1,734.59		
To reclass principal paid on paving assessments.							
L	01	21-245	ANIMAL CONTROL PAYABLE	10	2,652.00		
R	01	300-04-352	CONTRIBUTIONS - ANIMAL CONTROL	10		2,652.00	
To reclass contributions.							
E	01	420-09-600	PRINCIPAL ON RIGHT OF USE/LEASED ASSETS	11	908.80		
E	01	420-09-650	INTEREST ON RIGHT OF USE/LEASED ASSETS	11	141.40		
E	01	420-03-458	POSTAGE	11		284.00	
E	01	425-03-458	POSTAGE	11		283.20	
E	01	440-03-458	POSTAGE	11		128.00	
E	01	465-03-458	POSTAGE	11		105.00	
E	01	476-03-458	POSTAGE	11		250.00	
To reclassify principal and interest payments on postage leased assets per GASB 87.							
E	01	420-09-600	PRINCIPAL ON RIGHT OF USE/LEASED ASSETS	12	8,381.10		
E	01	420-09-650	INTEREST ON RIGHT OF USE/LEASED ASSETS	12	694.98		
E	01	420-02-439	OFFICE EQUIPMENT RENTAL	12		907.61	
E	01	425-02-439	OFFICE EQUIPMENT RENTAL	12		907.61	
E	01	440-02-439	OFFICE EQUIPMENT RENTAL	12		907.61	
E	01	455-02-439	OFFICE EQUIPMENT RENTAL	12		907.61	
E	01	465-02-439	OFFICE EQUIPMENT RENTAL	12		907.61	
E	01	450-02-438	OFFICE EQUIPMENT RENTAL	12		907.61	
E	01	476-02-438	OFFICE EQUIPMENT RENTAL	12		3,630.42	
To reclassify principal and interest payments on copy machine leased assets per GASB 87.							
					93,994.89	93,994.89	-

CITY OF DEVINE
 2022-2023 Annual Audit
 9/30/2023
 A/E Water/Sewer

1,457,192.89 1,457,192.89

Type	Fund	Acct #	Account Name	AJERef	DR	CR	Initials
E	03	491-09-550	UNCOLLECTIBLE ACCOUNTS	1	9,019.94		
A	03	11-139	ALLOW FOR UNCOLL ACCOUNTS	1		9,019.94	
L	03	21-261	DEPOSIT REFUNDS PAYABLE	1		200.00	
L	03	21-278	LINE OF CREDIT LYTLE STATE BAN	1	102.00		
E	03	491-09-588	MISCELLANEOUS EXPENSE	1	200.00		
E	03	491-09-586	INTEREST EXPENSE	1		102.00	
To Adjust receivable, allowance, and deposits							
E	03	11-165	CHLORINE BLDG CIP	2	12,300.00		
E	03	11-164	2018 ASBESTOS CIP	2	343,126.75		
E	03	11-172	BUILDINGS	2		53,250.00	
E	03	491-11-706	WATER EQUIPMENT C/O	2	20,475.00		
E	03	491-11-708	WATER ASBESTOS PROJECT	2	382,051.07		
E	03	491-11-708	WATER ASBESTOS PROJECT	2		43,796.04	
A	03	11-166	2021 - GENERATOR PROJ - CIP	2	50,150.00		
E	03	491-11-709	GENERATORS - CAPITAL OUTLAY	2		50,150.00	
E	03	492-11-706	SEWER C/O EQUIPMENT	2	20,475.00		
E	03	491-05-466	CONSULTING FEES	2		67,360.00	
A	03	21-201	ACCOUNTS PAYABLE-BOND CONSTRUC	2		382,051.07	
A	03	21-202	ACCOUNTS PAYABLE-RETAINAGE	2		231,970.71	
To adjust account balances							
L	03	21-300	NET PENSION LIABILITY	3		309,591.00	
L	03	21-301	NET OPEB LIABILITY	3	19,162.00		
L	03	21-302	DEFERRED RESOURCE INFLOW	3	145,311.00		
L	03	21-303	DEF RESOURCE INFLOW-OPEB	3		18,836.00	
A	03	11-196	DEFERRED RESOURCE OUTFLOW	3	137,072.00		
A	03	11-197	DEF RESOURCE OUTFLOW-OPEB	3		2,446.00	
E	03	491-01-424	PENSION EXPENSE	3	12,955.00		
E	03	492-01-424	PENSION EXPENSE	3	16,373.00		
To record changes in GASB 68 and GASB 75 balances.							
L	03	21-256	ACCRUED ANNUAL LEAVE	4	1,156.35		
E	03	491-01-400	SALARIES - ADMIN / CLERICAL	4		1,028.35	
E	03	492-01-400	SALARIES - ADMIN / CLERICAL	4		128.00	
To adjust accrued annual leave at year end							
L	03	21-252	ACCRUED BOND INT. PAYABLE	5	1,276.00		
E	03	491-10-650	REVENUE BOND INTEREST EXPENSE	5		1,276.00	
To adjust year end interest accrual.							
A	03	11-122	ACCOUNT RECEIVABLE - OTHER	6	266,942.50		
R	03	300-09-481	GRANT REVENUE ARP	6		266,942.50	

To record Navarro Electric receivable and recognize current year revenue for funds expended for the year.

CITY OF DEVINE
 2022-2023 Annual Audit
 9/30/2023
 A/E Water/Sewer

1,457,192.89 1,457,192.89

Type	Fund	Acct #	Account Name	AJERef	DR	CR	Initials
E	03	491-09-590	WATER DEPRECIATION	7	6,221.00		
A	03	11-177	ACCUM DEPRN -RIGHT OF USE LEAS	7		6,221.00	
A	03	11-179	ACCUMULATED DEPRECIATION	7	295.83		
E	03	491-09-590	WATER DEPRECIATION	7		295.83	
To record additional depreciation for right of use assets and adjust depreciation							
Q	03	29-290	RETAINED EARNINGS	8		5,767.63	
A	03	11-198	WATER/SEWER GL SUSPENSE	8	555.77		
E	03	492-09-588	MISCELLANEOUS	8	5,211.86		
To tie to prior year retained earnings							
L	03	21-370	Right-to-Use Lease Liabilities	9	3,635.20		
E	03	491-10-651	INTEREST ON RIGHT OF USE/LEASED ASSETS	9	565.60		
R	03	491-03-458	POSTAGE	9		2,100.20	
R	03	492-03-458	POSTAGE	9		2,100.20	
To reclassify principal and interest payments on postage leased assets per GASB 87.							
L	03	21-370	Right-to-Use Lease Liabilities	10	2,364.00		
E	03	491-10-651	INTEREST ON RIGHT OF USE/LEASED ASSETS	10	196.02		
E	03	491-02-441	OFFICE EQUIPMENT RENTAL	10		1,280.21	
R	03	492-02-441	OFFICE EQUIPMENT RENTAL	10		1,280.21	
To reclassify principal and interest payments on copy machine leased assets per GASB 87.							

CITY OF DEVINE
 2022-2023 Annual Audit
 9/30/2023
 AJE - Special Revenue Funds
 AJE.SR

Type	Fund	Acct #	Account Name	AJERef	DR	CR	Initials
A	10	11-191	DUE TO/FROM GF	1	39,270.04		
R	10	300-01-899	TRANSFERS IN	1		39,270.04	
To reclassify to correct account.							
A	06	11-133	LODGING TAX RECEIVABLE	2	182.40		
R	06	300-01-386	LODGING TAX REVENUE	2		182.40	
To agree to year end receivable							
					<u>39,452.44</u>	<u>39,452.44</u>	

CITY OF DEVINE
 2022-2023 Annual Audit
 09/30/2023
 AJE - Debt Service Fund
 AJE.DS

Type	Fund	Acct #	Account Name	AJERef	6,752.23 DR	6,752.23 CR	Initials
A	02	11-120	PROPERTY TAX -DELINQUENT	1	6,584.49		
A	02	11-121	ALLOWANCE FOR DELINQUENT TAX	1		658.45	
A	02	11-122	Due From Appraisal District	1	97.85		
L	02	21-270	RESERVE FOR DELQ TAXES REC.	1		4,505.69	
R	02	300-01-300	PROPERTY TAX - CURRENT	1		1,462.98	
R	02	300-01-302	PROPERTY TAX - DELINQUENT	1		31.71	
R	02	300-01-304	PENALTY & INTEREST	1		23.51	

To adjust taxes receivable, allowance, and deferred at year-end

A	02	21-122	Due to Appraisal District	2		30.92	
A	02	11-122	Due From Appraisal District	2		38.97	
R	02	300-01-300	PROPERTY TAX - CURRENT	2	54.15		
R	02	300-01-302	PROPERTY TAX - DELINQUENT	2	3.66		
R	02	300-01-304	PENALTY & INTEREST	2	12.08		

To record receivable from Appraisal District

Adjustments to Worksheet by Adjustment Number
FY 2023

City of Devine, Texas

2/21/2024

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
Adjustment Number: 1		Column: Account Groups - Beginning		<input type="text"/>
1710	Land Purchase and Improvements	497,589.00		
1730	Buildings	1,544,692.00		
1740	Improvements other than Buildings	3,508,130.00		
1750	Furniture and Equipment	1,666,872.00		
1731	Accumulated Depreciation - Buildings		(899,819.00)	
1741	Accumulated Depreciation - Other Improvements		(2,720,435.00)	
1751	Accumulated Depreciation - Furniture & Equipment		(1,403,660.00)	
3800	Net Investment in Capital Assets & Lease Assets		(2,218,629.00)	
9100	Beginning Fund Balance / Net Assets		(2,218,629.00)	
9200	Ending Fund Balance/Net Assets	2,218,629.00		
1770	Right-to-Use Lease Assets	34,548.00		
1771	Accumulated Depreciation - Right-to-Use Leases		(9,288.00)	
		<u>9,470,460.00</u>	<u>(9,470,460.00)</u>	

Remarks: Record beginning of the year capital assets for governmental.

Adjustment Number: 2		Column: Account Groups - Beginning		<input type="text"/>
3800	Net Investment in Capital Assets & Lease Assets	1,335,740.00		
9100	Beginning Fund Balance / Net Assets	1,335,740.00		
9200	Ending Fund Balance/Net Assets		(1,335,740.00)	
2550	Other Long Term Debt Payable - Noncurrent		(1,310,000.00)	
2570	Right-to-Use Lease Liabilities - Noncurrent		(25,740.00)	
		<u>2,671,480.00</u>	<u>(2,671,480.00)</u>	

Remarks: Post beginning of year long term debt for governmental.

Adjustment Number: 3		Column: Debt and Capital Items		<input type="text"/>
6710	Principal on Debt		(234,290.00)	
3800	Net Investment in Capital Assets & Lease Assets		(234,290.00)	
9200	Ending Fund Balance/Net Assets	234,290.00		
2550	Other Long Term Debt Payable - Noncurrent	225,000.00		
2570	Right-to-Use Lease Liabilities - Noncurrent	9,290.00		
		<u>468,580.00</u>	<u>(468,580.00)</u>	

Remarks: Record current year debt principal paid.

Adjustment Number: 4		Column: Reclassifications		<input type="text"/>
2506	Unamortized Premium - Due Within One Year		(225,000.00)	
2550	Other Long Term Debt Payable - Noncurrent	225,000.00		
2570	Right-to-Use Lease Liabilities - Noncurrent	9,733.00		
2506	Unamortized Premium - Due Within One Year		(9,733.00)	
		<u>234,733.00</u>	<u>(234,733.00)</u>	

Remarks: Set up current requirements for debt.

Adjustments to Worksheet by Adjustment Number

FY 2023

City of Devine, Texas

2/21/2024

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
Adjustment Number: 5		Column: Allocated Depreciation		<input style="width: 100px; height: 20px;" type="text"/>
6100	Administration	12,343.00		
6110	Municipal Court			
6120	Street	9,960.00		
6130	Police	29,028.00		
6140	Health & Sanitation	1,723.00		
6150	Animal Control	4,919.00		
6190	Parks & Recreation	14,061.00		
6200	Golf Course	15,082.00		
6210	Library	1,490.00		
6220	Airport	78,006.00		
6230	Community Center	81.00		
6240	Code Enforcement			
1731	Accumulated Depreciation - Buildings		(77,633.00)	
1741	Accumulated Depreciation - Other Improvements		(40,688.00)	
1751	Accumulated Depreciation - Furniture & Equipment		(38,923.00)	
1761	Accumulated Depreciation - Capital Assets			
3800	Net Investment in Capital Assets & Lease Assets	166,693.00		
9200	Ending Fund Balance/Net Assets		(166,693.00)	
1771	Accumulated Depreciation - Right-to-Use Leases		(9,449.00)	
		333,386.00	(333,386.00)	

Remarks: Record current year depreciation expense.

Adjustment Number: 6		Column: Debt and Capital Items		<input style="width: 100px; height: 20px;" type="text"/>
2140	Accrued Interest Payable		(3,435.00)	
3900	Unrestricted	3,435.00		
9100	Beginning Fund Balance / Net Assets	3,435.00		
9200	Ending Fund Balance/Net Assets		(3,435.00)	
		6,870.00	(6,870.00)	

Remarks: Record beginning of the year accrued interest.

Adjustment Number: 7		Column: Debt and Capital Items		<input style="width: 100px; height: 20px;" type="text"/>
2140	Accrued Interest Payable	442.00		
6720	Interest on Debt		(442.00)	
3900	Unrestricted		(442.00)	
9200	Ending Fund Balance/Net Assets	442.00		
		884.00	(884.00)	

Remarks: Adjust accrued interest to year end balance.

Adjustment Number: 8		Column: Reclassifications		<input style="width: 100px; height: 20px;" type="text"/>
9100	Beginning Fund Balance / Net Assets		(91,124.00)	
5010	Taxes - General Levy	83,040.00		
5011	Taxes - Debt Service Levy	8,084.00		

Adjustments to Worksheet by Adjustment Number
FY 2023

City of Devine, Texas

2/21/2024

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
		91,124.00	(91,124.00)	
	Remarks: Recognize beginning of year unavailable tax revenue.			
Adjustment Number: 9	Column: Reclassifications			<input type="text"/>
5110	Property Taxes	1,321,710.00		
5010	Taxes - General Levy		(1,065,432.00)	
5011	Taxes - Debt Service Levy		(256,278.00)	
		1,321,710.00	(1,321,710.00)	
	Remarks: Reclassify current tax collection.			
Adjustment Number: 10	Column: Reclassifications			<input type="text"/>
2601	Unavailable Revenue - Property Taxes	99,069.00		
5010	Taxes - General Levy		(86,480.00)	
5011	Taxes - Debt Service Levy		(12,589.00)	
3900	Unrestricted		(99,069.00)	
9200	Ending Fund Balance/Net Assets	99,069.00		
		198,138.00	(198,138.00)	
	Remarks: Recognize end of year unavailable tax receivable.			
Adjustment Number: 11	Column: Reclassifications			<input type="text"/>
7915	Transfers In	39,270.00		
8911	Transfers Out		(39,270.00)	
		39,270.00	(39,270.00)	
	Remarks: Remove transfers			
Adjustment Number: 12	Column: Reclassifications			<input type="text"/>
3480	Retirement of Long-Term Debt	411,987.00		
3490	Other Restricted Fund Balance	135,582.00		
3600	Unassigned Fund Balance	1,883,886.00		
3860	Restricted for Debt Service		(411,987.00)	
3890	Restricted for Other Purposes		(135,582.00)	
3900	Unrestricted		(1,883,886.00)	
		2,431,455.00	(2,431,455.00)	
	Remarks: Reclassify equities			
Adjustment Number: 13	Column: GASB 68			<input type="text"/>
2580	Net Pension Liability		(1,461,575.00)	
2602	Deferred Inflow Related to Pension Plan		(258,681.00)	
1997	Deferred Outflow Related to Pension Plan	218,613.00		
3900	Unrestricted	1,501,643.00		
9100	Beginning Fund Balance / Net Assets	1,501,643.00		
9200	Ending Fund Balance/Net Assets		(1,501,643.00)	

Adjustments to Worksheet by Adjustment Number

FY 2023

City of Devine, Texas

2/21/2024

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
		3,221,899.00	(3,221,899.00)	
Remarks: Record beginning GASB 68 balances.				
Adjustment Number: 14 Column: GASB 68				
				<input style="width: 100px; height: 15px;" type="text"/>
2580	Net Pension Liability		(448,409.00)	
2602	Deferred Inflow Related to Pension Plan	210,466.00		
1997	Deferred Outflow Related to Pension Plan	198,534.00		
6100	Administration	3,772.00		
6110	Municipal Court	959.00		
6120	Street	4,949.00		
6130	Police	22,321.00		
6150	Animal Control	3,381.00		
6190	Parks & Recreation			
6210	Library	2,466.00		
6220	Airport	452.00		
6230	Community Center	51.00		
6240	Code Enforcement	1,058.00		
3900	Unrestricted	39,409.00		
9200	Ending Fund Balance/Net Assets		(39,409.00)	
		487,818.00	(487,818.00)	
Remarks: Record current year GASB 68 changes.				
Adjustment Number: 15 Column: GASB 75				
				<input style="width: 100px; height: 15px;" type="text"/>
2585	Net OPEB Liability		(107,384.00)	
2603	Deferred Inflow Related to OPEB		(3,455.00)	
1998	Deferred Outflow Related to OPEB	20,263.00		
3900	Unrestricted	90,576.00		
9100	Beginning Fund Balance / Net Assets	90,576.00		
9200	Ending Fund Balance/Net Assets		(90,576.00)	
		201,415.00	(201,415.00)	
Remarks: Record beginning GASB 75 balances.				
Adjustment Number: 16 Column: GASB 75				
				<input style="width: 100px; height: 15px;" type="text"/>
2585	Net OPEB Liability	27,753.00		
2603	Deferred Inflow Related to OPEB		(27,283.00)	
1998	Deferred Outflow Related to OPEB		(3,543.00)	
6100	Administration	294.00		
6110	Municipal Court	75.00		
6120	Street	386.00		
6130	Police	1,740.00		
6190	Parks & Recreation			
6210	Library	192.00		
6150	Animal Control	264.00		

Adjustments to Worksheet by Adjustment Number

FY 2023

City of Devine, Texas

2/21/2024

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
6220	Airport	35.00		
6230	Community Center	4.00		
6240	Code Enforcement	83.00		
3900	Unrestricted	3,073.00		
9200	Ending Fund Balance/Net Assets		(3,073.00)	
		33,899.00		(33,899.00)

Remarks: Record current year GASB 75 changes.

Adjustment Number: 17 Column: Reclassifications

6260	Capital Outlay		(1,119,361.00)	
1710	Land Purchase and Improvements	11,892.00		
1730	Buildings	1,000,751.00		
1740	Improvements other than Buildings	99,771.00		
1750	Furniture and Equipment	69,222.00		
3800	Net Investment in Capital Assets & Lease Assets		(1,181,636.00)	
9200	Ending Fund Balance/Net Assets	1,181,636.00		
6120	Street		(62,275.00)	
		2,363,272.00		(2,363,272.00)

Remarks: Record current year capital asset additions for governmental.

Adjustment Number: 18 Column: Debt and Capital Items

1730	Buildings		(7,798.00)	
1731	Accumulated Depreciation - Buildings	153,638.00		
1750	Furniture and Equipment	137.00		
1751	Accumulated Depreciation - Furniture & Equipment		(145,977.00)	
		153,775.00		(153,775.00)

Remarks: To record dispositions/reclassification of capital assets.

Adjustment Number: 19 Column: Reclassifications

2030	Compensated Absences Payable	157,271.00		
2506	Unamortized Premium - Due Within One Year		(157,271.00)	
		157,271.00		(157,271.00)

Remarks: To reclassify to short term debt due within one year

CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2023

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**CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Table of Contents	1
	Independent Auditor's Report	2-4
	Management's Discussion and Analysis	5-11
	<u>Basic Financial Statements</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	12
B-1	Statement of Activities	13-14
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	15
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances	17
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	19-20
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	21
D-3	Statement of Cash Flows	22
	Notes to the Financial Statements	23-43
	<u>Required Supplementary Information</u>	
E-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	44
E-2	Schedule of Changes in Net Pension Liability and Related Ratios	45-46
E-3	Schedule of Contributions	47-48
E-4	Schedule of Changes in the Total OPEB Liability and Related Ratios	49-50
	Notes to the Schedule of Contributions	51
	<u>Combining and Individual Statements</u>	
	Nonmajor Governmental Funds:	
F-1	Combining Balance Sheet	52-53
F-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54-55
	<u>Federal Section</u>	
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of the City Council
City of Devine, Texas

Report on the Audit of the Financial Statements

Opinions

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 the City of Devine, 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 Devine, Texas basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Devine, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Devine'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.

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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 (GAAS) 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 GAAS and *Government Auditing Standards*, we:

- * Exercise professional judgement 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 Devine's internal controls. 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Devine's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Changes in Net Pension Liability and Related Ratios for Texas Municipal Retirement System, Schedule of Contributions - Texas Municipal Retirement System, and Schedule of Changes in the Total OPEB Liability and Related Ratios - Texas Municipal Retirement System on pages 5-11 and 44-50 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 Government Accounting Standards Board (GASB) 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Devine’s basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of the City of Devine’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 Devine’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 Devine’s internal control over financial reporting and compliance.

Coleman, Horton and Company, LLP

Uvalde, Texas
February 23, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the City of Devine (the City) is presented in five sections, Management's Discussion and Analysis (this Part), Basic Financial Statements, Required Supplementary Information, Combining and Individual Nonmajor Fund Statements and the federal section. This section of the City's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending September 30, 2023. Please read it in conjunction with the City's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the City:

- * The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- * The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
 - * The *governmental funds* statement tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - * *Proprietary fund* statements provide information about financial operations in which the City provides certain utility services for the benefit of its citizens.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets, deferred outflow of resources and liabilities and deferred inflow of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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The two government-wide statements report the City's *net position* and how they have changed. Net position—the difference between the City's assets, deferred outflows, liabilities, and deferred inflows is one way to measure the City's financial health or *position*.

- * Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- * To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, streets and parks, health and sanitation, and general administration. Property taxes and service fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- * Some funds are required by law and by bond covenants.
- * The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- * *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- * *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

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Financial Highlights

- * The City's combined net position was \$10,792,907 at September 30, 2023, an increase of \$1,814,085.
- * During the year, the City's revenue was \$8,308,202 as reflected below:

		Governmental Activities		
		Current	Prior	
		Year	Year	Change
a)	Taxes	\$ 3,374,293	\$ 3,066,749	\$ 307,544
b)	Charges for Services	1,022,703	1,018,418	4,285
c)	Investment Earnings	25,367	4,881	20,486
d)	Grants and Contributions	366,750	128,119	238,631
e)	Other	196,437	173,399	23,038
	Sub-total	<u>\$ 4,985,550</u>	<u>\$ 4,391,566</u>	<u>\$ 593,984</u>

		Business-type Activities		
		Current	Prior	
		Year	Year	Change
f)	Charges for Services	\$ 2,656,620	\$ 2,705,116	\$ (48,496)
g)	Investment Earnings	296,307	23,962	272,345
h)	Grants	369,725	26,950	342,775
i)	Others	-	101,197	(101,197)
	Sub-total	<u>\$ 3,322,652</u>	<u>\$ 2,857,225</u>	<u>\$ 465,427</u>
	Total Revenue	<u>\$ 8,308,202</u>	<u>\$ 7,248,791</u>	<u>\$ 1,059,411</u>

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* During the year, the City's expenses were \$6,494,117 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Administration	\$ 643,708	\$ 333,326	\$ 310,382
b) Municipal Court	95,932	75,733	20,199
c) Street	363,457	393,005	(29,548)
d) Police	1,156,643	1,090,843	65,800
e) Health and Sanitation	882,344	838,214	44,130
f) Animal Control	196,500	169,652	26,848
g) Parks and Recreation	38,568	59,398	(20,830)
h) Golf Course	52,338	214,658	(162,320)
i) Library	159,900	138,337	21,563
j) Airport	199,690	218,998	(19,308)
k) Community Center	15,030	14,894	136
l) Code Enforcement	110,196	102,981	7,215
m) Emergency Management	6,213	21,410	(15,197)
n) Interest	20,364	28,479	(8,115)
Sub-total	<u>\$ 3,940,883</u>	<u>\$ 3,699,928</u>	<u>\$ 240,955</u>

Business-type Activities			
	Current Year	Prior Year	Change
a) Sewer/Water Fund	\$ 2,553,234	\$ 2,531,733	\$ 21,501
Sub-total	<u>\$ 2,553,234</u>	<u>\$ 2,531,733</u>	<u>\$ 21,501</u>
Total Expenses	<u>\$ 6,494,117</u>	<u>\$ 6,231,661</u>	<u>\$ 262,456</u>

* The General Fund reported a fund balance this year of \$1,883,886, a decrease of \$408,687 from the prior year.

* Revenues were \$160,367 below budget and expenditures were \$338,220 below budget.

* The General Fund transferred \$39,270 to the TIF fund.

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* The City's combined net position was \$10,792,907 at September 30, 2023, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 3,405,735	\$ 4,256,374	\$ (850,639)
Capital and non-current assets	3,233,572	2,218,629	1,014,943
Total Assets	\$ 6,639,307	\$ 6,475,003	\$ 164,304
Deferred outflow of resources	\$ 433,867	\$ 238,876	\$ 194,991
Current liabilities	\$ 705,561	\$ 1,398,016	\$ (692,455)
Long term liabilities	3,248,336	3,056,377	191,959
Total Liabilities	\$ 3,953,897	\$ 4,454,393	\$ (500,496)
Deferred inflow of resources	\$ 94,325	\$ 279,201	\$ (184,876)
Net position:			
Net investment in capital assets	\$ 2,132,122	\$ 882,889	\$ 1,249,233
Restricted	547,569	309,353	238,216
Unrestricted	345,261	788,043	(442,782)
Total Net Position	\$ 3,024,952	\$ 1,980,285	\$ 1,044,667
	Business-type Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 9,354,623	\$ 11,416,338	\$ (2,061,715)
Capital and non-current assets	10,551,353	7,031,288	3,520,065
Total Assets	\$ 19,905,976	\$ 18,447,626	\$ 1,458,350
Deferred outflow of resources	\$ 272,473	\$ 137,847	\$ 134,626
Current liabilities	\$ 1,351,338	\$ 214,832	\$ 1,136,506
Long term liabilities	11,005,973	11,192,446	(186,473)
Total Liabilities	\$ 12,357,311	\$ 11,407,278	\$ 950,033
Deferred inflow of resources	\$ 53,183	\$ 179,658	\$ (126,475)
Net position:			
Net investment in capital assets	\$ 7,183,458	\$ 3,814,493	\$ 3,368,965
Unrestricted	584,497	3,184,044	(2,599,547)
Total Net Position	\$ 7,767,955	\$ 6,998,537	\$ 769,418
Combined Total Net Position	\$ 10,792,907	\$ 8,978,822	\$ 1,814,085

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Capital Assets and Debt Administration

Capital Assets

Capital assets for the City at fiscal year-end September 30, 2023 amounted to \$13,784,925. It is the City's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment, streets, right-to-use lease assets, water rights, and construction in progress as reflected below.

City's Capital Assets

	Governmental Activities		Business-type Activities	
	Current Year		Prior Year	
Land	\$ 509,481	\$ 142,693	\$ 497,589	\$ 215,714
Building and improvements	2,537,645	45,338	1,544,692	27,268
Equipment	1,736,231	3,303,238	1,666,872	2,470,708
Water and utility improvements	3,607,901	11,603,253	3,508,130	12,190,920
Water rights	-	402,500	-	402,500
Right-to-use lease assets - furniture & equipment	34,548	27,472	34,548	27,472
Construction in Progress	-	6,284,693	-	2,549,435
Totals at historical cost	8,425,806	21,809,187	7,251,831	17,884,017
Total accumulated depreciation	(5,192,234)	(11,257,834)	(5,033,202)	(10,852,729)
Net capital assets	<u>\$ 3,233,572</u>	<u>\$ 10,551,353</u>	<u>\$ 2,218,629</u>	<u>\$ 7,031,288</u>

Long-term Debt

The City has the following long-term debt at year end:

City's Long Term Debt

	Governmental Activities		Business-type Activities	
	Current Year		Prior Year	
General Obligation Bonds	\$ 925,000	\$ 9,690,000	\$ 990,000	\$ 10,160,000
Tax Notes	160,000	-	320,000	-
Loans Payable	-	-	-	-
Right-to-Use Lease Liabilities	16,450	16,461	25,740	22,460
Accrued Vacation and Leave	157,271	43,317	151,678	44,220
Totals	<u>\$ 1,258,721</u>	<u>\$ 9,749,778</u>	<u>\$ 1,487,418</u>	<u>\$ 10,226,680</u>

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Contacting the City's Financial Management

The financial report is designed for customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

City Administrator
City of Devine
303 South Teel
Devine, Texas 78016
(830) 663-2804

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BASIC FINANCIAL STATEMENTS

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CITY OF DEVINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,534,971	\$ 1,988,449	\$ 4,523,420
Taxes Receivable, Net	111,417	-	111,417
Accounts Receivable, Net	125,456	273,938	399,394
Due from Other Governments	304,891	-	304,891
Due from Other Funds	327,944	(327,944)	-
Restricted Cash and Cash Equivalents	-	7,153,237	7,153,237
Capital Assets:			
Land Purchase and Improvements	509,481	142,693	652,174
Buildings, Net	1,713,831	-	1,713,831
Improvements other than Buildings, Net	846,778	252,957	1,099,735
Furniture and Equipment, Net	147,671	3,855,347	4,003,018
Right-to-Use Lease Assets, Net	15,811	15,663	31,474
Construction in Progress	-	6,284,693	6,284,693
Other Assets	1,056	266,943	267,999
Total Assets	<u>6,639,307</u>	<u>19,905,976</u>	<u>26,545,283</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	417,147	261,968	679,115
Deferred Outflow Related to OPEB	16,720	10,505	27,225
Total Deferred Outflows of Resources	<u>433,867</u>	<u>272,473</u>	<u>706,340</u>
LIABILITIES			
Accounts Payable	195,994	619,376	815,370
Wages and Salaries Payable	81,521	-	81,521
Due to Others	6,120	-	6,120
Accrued Interest Payable	2,993	12,975	15,968
Unearned Revenues	418,933	518,338	937,271
Liabilities Payable from Restricted Assets	-	200,649	200,649
Noncurrent Liabilities:			
Due Within One Year	392,004	519,851	911,855
Due in More Than One Year:			
Debt Payable - Noncurrent	866,717	9,229,927	10,096,644
Net Pension Liability	1,909,984	1,209,148	3,119,132
Net OPEB Liability	79,631	47,047	126,678
Total Liabilities	<u>3,953,897</u>	<u>12,357,311</u>	<u>16,311,208</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	48,215	32,585	80,800
Deferred Inflow Related to OPEB	30,738	20,598	51,336
Deferred Inflow Related to Paving Assessment	5,949	-	5,949
Deferred Inflow Related to Municipal Court	9,423	-	9,423
Total Deferred Inflows of Resources	<u>94,325</u>	<u>53,183</u>	<u>147,508</u>
NET POSITION			
Net Investment in Capital Assets & Lease Assets	2,132,122	7,183,458	9,315,580
Restricted:			
Restricted for Debt Service	411,987	-	411,987
Restricted for Other Purposes	135,582	-	135,582
Unrestricted	345,261	584,497	929,758
Total Net Position	<u>\$ 3,024,952</u>	<u>\$ 7,767,955</u>	<u>\$ 10,792,907</u>

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

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 643,708	\$ -	\$ 327,038	\$ -
Municipal Court	95,932	-	-	-
Street	363,457	1,735	-	-
Police	1,156,643	-	30,569	-
Health & Sanitation	882,344	938,444	-	-
Animal Control	196,500	-	-	-
Parks & Recreation	38,568	-	-	-
Golf Course	52,338	-	-	-
Library	159,900	-	-	-
Airport	199,690	82,524	-	-
Community Center	15,030	-	-	-
Code Enforcement	110,196	-	-	-
Emergency Management	6,213	-	-	-
Interest on Debt	20,364	-	-	-
Total Governmental Activities	3,940,883	1,022,703	357,607	-
BUSINESS-TYPE ACTIVITIES:				
Total Business-Type Activities	2,553,234	2,656,620	-	369,725
Total Business-Type Activities	2,553,234	2,656,620	-	369,725
TOTAL PRIMARY GOVERNMENT	\$ 6,494,117	\$ 3,679,323	\$ 357,607	\$ 369,725

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- General Sales and Use Taxes
- Lodging Taxes
- Franchise Tax
- Penalty and Interest on Taxes
- Grants and Contributions
- Miscellaneous Revenue
- Investment Earnings
- Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (316,670)	\$ -	\$ (316,670)
(95,932)	-	(95,932)
(361,722)	-	(361,722)
(1,126,074)	-	(1,126,074)
56,100	-	56,100
(196,500)	-	(196,500)
(38,568)	-	(38,568)
(52,338)	-	(52,338)
(159,900)	-	(159,900)
(117,166)	-	(117,166)
(15,030)	-	(15,030)
(110,196)	-	(110,196)
(6,213)	-	(6,213)
(20,364)	-	(20,364)
<u>(2,560,573)</u>	<u>-</u>	<u>(2,560,573)</u>
-	473,111	473,111
-	473,111	473,111
<u>(2,560,573)</u>	<u>473,111</u>	<u>(2,087,462)</u>
1,068,872	-	1,068,872
260,783	-	260,783
1,811,098	-	1,811,098
20,293	-	20,293
187,116	-	187,116
26,131	-	26,131
9,143	-	9,143
196,437	-	196,437
25,367	296,307	321,674
<u>3,605,240</u>	<u>296,307</u>	<u>3,901,547</u>
1,044,667	769,418	1,814,085
1,980,285	6,998,537	8,978,822
<u>\$ 3,024,952</u>	<u>\$ 7,767,955</u>	<u>\$ 10,792,907</u>

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CITY OF DEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,991,139	\$ 543,832	\$ 2,534,971
Interest Receivable	11,680	-	11,680
Taxes Receivable	107,875	15,921	123,796
Allowance for Uncollectible Taxes (credit)	(10,787)	(1,592)	(12,379)
Accounts Receivable, Net	111,755	2,021	113,776
Due from Other Governments	304,793	98	304,891
Due from Other Funds	327,944	-	327,944
Other Assets	1,056	-	1,056
Total Assets	\$ 2,845,455	\$ 560,280	\$ 3,405,735
LIABILITIES			
Accounts Payable	\$ 195,872	\$ 122	\$ 195,994
Wages and Salaries Payable	81,521	-	81,521
Compensated Absences Payable	157,271	-	157,271
Due to Others	6,120	-	6,120
Unearned Revenues	418,933	-	418,933
Total Liabilities	859,717	122	859,839
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	86,480	12,589	99,069
Unavailable Revenue - Paving Assessments	5,949	-	5,949
Unavailable Revenue - Municipal Court	9,423	-	9,423
Total Deferred Inflows of Resources	101,852	12,589	114,441
FUND BALANCES			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	411,987	411,987
Other Restricted Fund Balance	-	135,582	135,582
Unassigned Fund Balance	1,883,886	-	1,883,886
Total Fund Balances	1,883,886	547,569	2,431,455
Total Liabilities, Deferred Inflows & Fund Balances	\$ 2,845,455	\$ 560,280	\$ 3,405,735

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

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CITY OF DEVINE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	\$	2,431,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including debt 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) of \$2,218,629, and long-term debt of \$(1,335,740), in the governmental activities is to increase net position.		882,889
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays of \$1,181,636, and debt principal payments of \$234,290 is to increase net position.		1,415,926
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$(1,909,984), a deferred resource inflow of \$(48,215), and a deferred resource outflow of \$417,147. The net effect of this recognition is to decrease net position.		(1,541,052)
Included in the items related to debt is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$(79,631), a deferred resource inflow of \$(30,738), and a deferred resource outflow of \$16,720. The net effect of this recognition is to decrease net position.		(93,649)
The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(166,693)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable tax revenue of \$99,069 as revenue, and recognizing accrued interest of \$(2,993). The net effect of these reclassifications and recognitions is to increase net position.		96,076
Net Position of Governmental Activities	\$	3,024,952

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

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CITY OF DEVINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT C-3

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ 1,065,432	\$ 256,278	\$ 1,321,710
General Sales and Use Taxes	1,811,098	-	1,811,098
Lodging Taxes	-	20,293	20,293
Franchise Tax	187,116	-	187,116
Penalty and Interest on Taxes	22,568	3,563	26,131
Licenses and Permits	56,304	-	56,304
Intergovernmental Revenue and Grants	30,569	328,025	358,594
Charges for Services	1,022,703	-	1,022,703
Fines	131,722	-	131,722
Investment Earnings	23,174	2,193	25,367
Contributions & Donations from Private Sources	8,156	-	8,156
Other Revenue	8,411	-	8,411
Total Revenues	4,367,253	610,352	4,977,605
EXPENDITURES:			
Current:			
Administration	299,587	327,712	627,299
Municipal Court	94,898	-	94,898
Street	410,437	-	410,437
Police	1,101,542	2,012	1,103,554
Health & Sanitation	880,621	-	880,621
Animal Control	187,936	-	187,936
Parks & Recreation	24,507	-	24,507
Golf Course	37,256	-	37,256
Library	155,752	-	155,752
Airport	121,197	-	121,197
Community Center	14,894	-	14,894
Code Enforcement	109,055	-	109,055
Emergency Management	6,213	-	6,213
Capital Outlay	1,119,361	-	1,119,361
Debt Service:			
Principal on Debt	169,290	65,000	234,290
Interest on Debt	4,124	16,682	20,806
Total Expenditures	4,736,670	411,406	5,148,076
Excess (Deficiency) of Revenues Over (Under) Expenditures	(369,417)	198,946	(170,471)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	39,270	39,270
Transfers Out	(39,270)	-	(39,270)
Total Other Financing Sources (Uses)	(39,270)	39,270	-
Net Change in Fund Balances	(408,687)	238,216	(170,471)
Fund Balance - October 1 (Beginning)	2,292,573	309,353	2,601,926
Fund Balance - September 30 (Ending)	\$ 1,883,886	\$ 547,569	\$ 2,431,455

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	(170,471)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing capital outlays of \$1,181,636, and debt principal payments of \$234,290, is to increase net position.		1,415,926
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(166,693)
The reporting of GASB 68 for the current year resulted in a net increase of expenses for the City of \$(39,409). The effect of this reporting is to decrease net position.		(39,409)
The reporting of GASB 75 for the current year resulted in a net increase of expenses for the City of \$(3,073). The effect of this reporting is to decrease net position.		(3,073)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$7,945, the change in accrued interest of \$442. The net effect of these reclassifications and recognitions is to increase net position.		8,387
Change in Net Position of Governmental Activities	\$	1,044,667

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

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CITY OF DEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business Type Activities	
	Sewer	Water
	Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	1,988,449
Restricted Assets - Current:		
Cash and Cash Equivalents		7,153,237
Interest Receivable		21,201
Accounts Receivable, Net		252,737
Total Current Assets		<u>9,415,624</u>
Noncurrent Assets:		
Capital Assets:		
Land		142,693
Water Rights, net, net		252,957
Plant and Equipment, net, net		3,855,347
Right-to-Use Lease Assets, net, net		15,663
Construction in Progress, net		6,284,693
Other Assets		266,943
Total Noncurrent Assets		<u>10,818,296</u>
Total Assets		<u>20,233,920</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to Pension Plan		261,968
Deferred Outflow Related to OPEB		10,505
Total Deferred Outflows of Resources		<u>272,473</u>

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

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CITY OF DEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business Type Activities	
	Sewer	Water
	Fund	
LIABILITIES		
Current Liabilities:		
Accounts Payable	619,376	
Due to Other Funds	327,944	
Compensated Absences Payable	43,317	
Accrued Interest Payable	12,975	
Unearned Revenues	518,338	
Bonds Payable - Current	470,000	
Right-to-Use Leases Payable - Current	6,534	
Liabilities Payable from Restricted Assets	200,649	
Total Current Liabilities	2,199,133	
Noncurrent Liabilities:		
Bonds Payable - Noncurrent	9,220,000	
Right-to-Use Lease Liabilities - Noncurrent	9,927	
Net Pension Liability	1,209,148	
Net OPEB Liability	47,047	
Total Noncurrent Liabilities	10,486,122	
Total Liabilities	12,685,255	
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pension Plan	32,585	
Deferred Inflow Related to OPEB	20,598	
Total Deferred Inflows of Resources	53,183	
NET POSITION		
Net Investment in Capital Assets	7,183,458	
Unrestricted	584,497	
Total Net Position	\$ 7,767,955	

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

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

	Business-Type Activities
	Sewer Water Fund
OPERATING REVENUES:	
Charges for Services	\$ 2,656,620
Total Operating Revenues	<u>2,656,620</u>
OPERATING EXPENSES:	
Personnel Services	1,173,048
Purchased Services	250,569
Other Operating Costs	631,261
Depreciation	405,104
Debt Service	93,252
Total Operating Expenses	<u>2,553,234</u>
Operating Income	<u>103,386</u>
NONOPERATING REVENUES (EXPENSES):	
Grants	369,725
Investment Earnings	296,307
Total NonOperating Revenue (Expenses)	<u>666,032</u>
Change in Net Position	769,418
Total Net Position - October 1 (Beginning)	<u>6,998,537</u>
Total Net Position - September 30 (Ending)	<u>\$ 7,767,955</u>

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

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CITY OF DEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT D-3

	Business-Type Activities
	Sewer Water Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 2,635,853
Cash Payments for Personnel Services	(1,174,965)
Cash Payments for Purchased Services	(251,202)
Cash Payments for Other Operating Expenses	(711,216)
Net Cash Provided by Operating Activities	498,470
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(3,311,147)
Bond Principal Paid	(470,000)
Right-to-Use Principal Paid	(5,999)
Grant Proceeds	903,611
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,883,535)
<u>Cash Flows from Investing Activities:</u>	
Investment Earnings	280,759
Net Increase (Decrease) in Cash and Cash Equivalents	(2,104,306)
Cash and Cash Equivalents at Beginning of Year	11,245,992
Cash and Cash Equivalents at End of Year	\$ 9,141,686
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 103,386
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	405,104
GASB 68 and GASB 75 Adjustment	29,328
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(33,901)
Decrease (Increase) in Other Assets	(266,943)
Increase (Decrease) in Accounts Payable	(633)
Increase (Decrease) in Accrued Liabilities	(2,179)
Increase (Decrease) in Due to Other Funds	258,253
Increase (Decrease) in Customer Deposits	6,055
Net Cash Provided by Operating Activities	\$ 498,470

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Devine, Texas (the City) is a municipal agency operating under the applicable laws and regulations of the State of Texas. It is governed by a six-member City Council elected by registered voters of the City. The City prepares its general-purpose financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 76* of the American Institute of Certified Public Accountants; and it complies with the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from the TMRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits. The fiduciary net position of the TMRS Supplemental Death Benefit Funds (SDBF) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from SDBF net position. Payments are recognized when due and payable in accordance with the benefit terms.

Fair Value. The City applies GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

Because the City Council is elected by the public; it has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the City is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the 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’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, 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. The "Grants and Contributions" column indicates amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues 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).

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 or Federal Government are recognized under the susceptible to accrual concept. 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 unearned 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. The fund equity is segregated into net investment in capital assets, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

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.

Additionally, the City reports the following fund type(s):

Governmental Funds:

Special Revenue Funds – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Major Proprietary Fund:

Enterprise Fund – The City’s activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in the Enterprise Fund. The City’s major Enterprise Fund is the Water and Sewer System Fund.

E. FUND BALANCE POLICY

The City reports fund balance for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **non-spendable** classification represents assets that will be consumed or “must be maintained intact” and therefore will never convert to cash, such as inventories of supplies. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the City Council. However, the City Council has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the City Council may commit fund balances by a majority vote in a scheduled meeting. The Council’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Council commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the City does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions, and other purposes determined by the Council.

The City Council may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Council may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Council by majority vote in a scheduled meeting. The Council has delegated this authority to the City Administrator.

When the City incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in the same order.

Restricted		
Debt service	\$	411,987
Lodging Tax		66,017
TCOLE		643
Unclaimed Property		1
TIF Fund		62,344
Home Program		6,577
Total Restricted		<u>547,569</u>
Unassigned		<u>1,883,886</u>
Total Fund Balances	\$	<u><u>2,431,455</u></u>

F. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City records purchases of supplies as expenditures.
3. The City records its investments at cost, which approximates fair value.
4. Deferred inflows accounted for on the balance sheet relates to uncollected property taxes less the amount of doubtful accounts, as well as paving assessments and municipal court revenue.
5. The City provides risk management obligations by carrying commercial insurance. General liability insurance is obtained from a commercial insurance carrier.
6. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
7. 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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The City implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87. The right-to-use lease liability is reported in the government-wide and proprietary statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing resources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as an other financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements.

8. Capital assets, which include land, buildings, furniture and equipment, infrastructure and right-to-use lease assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and 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.

Right-to-use lease assets are also reported in the applicable columns in the government-wide and business-type activities financial statements. Capitalization of right-to-use lease assets is determined by the significance of total future financial obligations for the lease when measured at inception of the lease term. The term of the lease must be the noncancelable period during which the City has the right-to-use the tangible asset(s) of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made.

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, and lease assets of the City are depreciated using the straight-line method over the following estimated useful lives or, for the lease asset, for the term of the lease if the estimated useful life is longer than the term of the lease, if there is an option to purchase, which is expected to be exercised:

Assets	Years
Buildings	7-27
Utility Improvements	4-40
Equipment	3-25
Water Rights	50

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 adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit E-1.

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

1. Thirty to sixty days prior to the beginning of each fiscal year, the City Secretary submits to the City Council a proposed budget prepared on the modified accrual basis which is consistent with generally accepted accounting principles at the department level for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance not later than 15 days prior to the beginning of the fiscal year.
4. The budget was amended by the City Council during the year.

B. EXPENDITURES IN EXCESS OF BUDGETED AMOUNT

As noted on Exhibit E-1, the General Fund had two categories in excess of the budgeted amounts for a total of \$77,747.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

The City had funds on deposit at year-end of \$6,305,133 in excess of FDIC coverage, secured by pledged securities of the depository bank.

City Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated now lower than "AA-" or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2023, the following are the City's cash and cash equivalents with respective maturities and credit rating:

Investment Type	Credit Rating	Amount	Maturity		
			Less than 1 Year	1-5 Years	10+ Years
Certificates of Deposit	N/A	\$ 2,024,925	\$ 2,024,925	\$ -	\$ -
Money Market Accounts	AAA	1,906,453	1,906,453	-	-
Money Market Funds	N/A	5,315,616	5,315,616	-	-
External Investment Pools	AAAm	7,205	7,205	-	-
Total		\$ 9,254,199	\$ 9,254,199	\$ -	\$ -

Additional policies and contractual provisions governing deposits and investments of the City are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to those allowed by Government Code 2256. As of September 30, 2023, the City's investments were limited to investment pools and money market funds.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City requires counterparties to register the securities in the name of the City's custodian and hand them over to the City or its designated agent. All of the securities are held by the City's agent.

Concentration of Credit Risk To limit the risk of loss, the City's investment portfolio is diversified in terms of investment instruments, maturity schedule, and financial institutions.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City's investment portfolio has various maturities.

Foreign Currency Risk for Investment The City has no foreign currency investments.

Fair Value Measurement

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels within the fair value hierarchy measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

At September 30, 2023, the City’s investments measured at fair value are as follows:

Investments	Amount	Fair Value Measurement Using Input:		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 2,024,925	\$ -	\$ 2,024,925	\$ -
Money Market Accounts	1,906,453	N/A	-	-
Money Market Funds	5,315,615	5,315,615	-	-
External Investment Pools	7,205	-	7,205	-
Total	\$ 9,254,199	\$ 5,315,615	\$ 2,032,130	\$ -

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 the applicable 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 when they are expected to be collected during a 60-day period after the close of the city fiscal year. The City considers all delinquent taxes as deferred inflows.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. 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. INTERFUND BALANCES AND TRANSFERS

Interfund transfers at September 30, 2023 consisted of the following amounts:

Transfers From General Fund To:		
Non-Major Funds		\$ 39,270
Total Transfer From General Fund		<u>\$ 39,270</u>
Transfers From Non-Major Funds To:		
General Fund		\$ -
Total Transfers From Non-Major Funds		<u>\$ -</u>

Interfund transfers are in support of operations.

Interfund balances at September 30, 2023 are as follows:

Due to General Fund From:		
Proprietary Funds		\$ 327,944
Non-Major Funds		-
Total Due to General Fund		<u>\$ 327,944</u>

Interfund balances are in support of operations.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2023 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 107,875	\$ 304,793	\$ 327,944	\$ 123,435	\$ 864,047
Other Funds	<u>15,921</u>	<u>98</u>	<u>-</u>	<u>2,021</u>	<u>18,040</u>
Total Governmental Activities	<u>\$ 123,796</u>	<u>\$ 304,891</u>	<u>\$ 327,944</u>	<u>\$ 125,456</u>	<u>\$ 882,087</u>
Amount not scheduled for collection during subsequent year	<u>\$ 12,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,379</u>
Business-type Activities:					
Proprietary Funds	\$ -	\$ -	\$ -	\$ 273,938	\$ 273,938
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,938</u>	<u>\$ 273,938</u>

Payables at September 30, 2023 were as follows:

	Accounts Payables	Loans, Leases and Bonds Payable Current Year	Due to Other Funds	Accrued Liabilities	Other	Total Payables
Governmental Activities:						
General Fund	\$ 195,872	\$ -	\$ -	\$ 238,792	\$ 6,120	\$ 440,784
Other Funds	122	-	-	-	-	122
Total Governmental Activities	<u>\$ 195,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,792</u>	<u>\$ 6,120</u>	<u>\$ 440,906</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:						
Proprietary Funds	<u>\$ 619,376</u>	<u>\$ 476,534</u>	<u>\$ 327,944</u>	<u>\$ 56,292</u>	<u>\$ 200,649</u>	<u>\$ 1,680,795</u>
Total Business-type Activities	<u>\$ 619,376</u>	<u>\$ 476,534</u>	<u>\$ 327,944</u>	<u>\$ 56,292</u>	<u>\$ 200,649</u>	<u>\$ 1,680,795</u>

F. CAPITAL ASSETS ACTIVITIES

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

	Primary Government			
	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Land	\$ 497,589	\$ 11,892	\$ -	\$ 509,481
Buildings and improvements	1,544,692	1,000,751	(7,798)	2,537,645
Utility improvements	3,508,130	99,771	-	3,607,901
Equipment	1,666,872	69,222	137	1,736,231
Right-to-use assets - furniture & equipment	34,548	-	-	34,548
Construction in Progress	-	-	-	-
Total at historical cost	<u>7,251,831</u>	<u>1,181,636</u>	<u>(7,661)</u>	<u>8,425,806</u>
Less accumulated depreciation				
Buildings and improvements	(899,819)	(77,633)	153,638	(823,814)
Utility improvements	(2,720,435)	(40,688)	-	(2,761,123)
Equipment	(1,403,660)	(38,923)	(145,977)	(1,588,560)
Right-to-use assets - furniture & equipment	(9,288)	(9,449)	-	(18,737)
Total accumulated depreciation	<u>(5,033,202)</u>	<u>(166,693)</u>	<u>7,661</u>	<u>(5,192,234)</u>
Governmental activities capital assets, net	<u>\$ 2,218,629</u>	<u>\$ 1,014,943</u>	<u>\$ -</u>	<u>\$ 3,233,572</u>
Business-type Activities				
Land	\$ 215,714	\$ -	\$ (73,021)	\$ 142,693
Plant and Equipment	14,688,896	189,912	73,021	14,951,829
Water rights	402,500	-	-	402,500
Right-to-use assets - furniture & equipment	27,472	-	-	27,472
Construction-in-progress	2,549,435	3,735,258	-	6,284,693
Total at historical cost	<u>17,884,017</u>	<u>3,925,170</u>	<u>-</u>	<u>21,809,187</u>
Less accumulated depreciation				
Right-to-use assets - furniture & equipment	(5,587)	(6,221)	-	(11,808)
Other accumulated depreciation	(10,847,142)	(398,884)	-	(11,246,026)
Total accumulated depreciation	<u>(10,852,729)</u>	<u>(405,105)</u>	<u>-</u>	<u>(11,257,834)</u>
Business-type activities capital assets, net	<u>\$ 7,031,288</u>	<u>\$ 3,520,065</u>	<u>\$ -</u>	<u>\$ 10,551,353</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 12,343
Municipal Court	-
Streets	9,960
Police	29,028
Health and Sanitation	1,723
Animal Control	4,919
Parks and Recreation	14,061
Golf Course	15,082
Library	1,490
Airport	78,006
Community Center	81
Code Enforcement	-
Total Depreciation Expense	<u>\$ 166,693</u>

G. LONG-TERM DEBT AND RIGHT-TO-USE LEASE LIABILITIES PAYABLE

Long-term debt of the City consists of various series of tax notes, general obligation bonds, revenue bonds, and right-of-use lease liabilities. General obligation bonds are payable from a levy of ad valorem taxes upon all taxable property within the City and from certain net revenues derived from the operation of the City's water and sewer system. Revenue bonds are generally payable from pledged revenues generated by the water and sewer fund. Right-of-use liabilities are payable from revenues generated by the City's governmental activities and the levy of ad valorem taxes. The debenture agreement for water and sewer bonds requires that funds be available for 1/12th of the principal and 1/6th of the interest requirements of the next fiscal year.

The City leases photocopy and postage machines with agreements having 5-year terms. Payments of \$1,407 are made monthly which consist of principal and imputed annual interest of 3.91%. No assets are pledged as collateral for these leases.

A summary of right-to-use lease arrangements for the year ended September 30, 2023, is as follows:

	Discount Rate	Original Lease Liability	Interest Paid This Year	Principal Balance at 10/1/2022	New Lease Agreement	Principal Paid This Year	Principal Outstanding at 9/30/2023	Principal Due Within One Year
Right-to-Use Lease Liabilities								
CTWP Copy Machine Lease, 2020	3.91%	\$ 1,000,000	\$ 891	\$ 27,669	\$ -	\$ 10,745	\$ 16,924	\$ 11,172
CTWP Postage Machine Lease, 2021	3.91%	\$ 23,894	\$ 707	20,533	-	4,544	15,988	5,095
Total right-to-use lease liabilities				<u>\$ 48,202</u>	<u>\$ -</u>	<u>\$ 15,289</u>	<u>\$ 32,912</u>	<u>\$ 16,267</u>

The City had the following changes in long-term debt outstanding for the year ended September 30, 2023:

	Original Amount	Interest Rates	Interest Paid This Year	Balance Outstanding 10/1/2022	Issued	Retirement	Balance Outstanding 9/30/2023	Due Within One Year
<u>Governmental Activities</u>								
<u>Certificates of Obligation</u>								
2021 General Obligation Combination Tax and Revenue	\$ 1,000,000	.750% - 2.30%	\$ 16,683	\$ 990,000	\$ -	\$ 65,000	\$ 925,000	\$ 65,000
<u>Tax Notes</u>								
Series 2020	\$ 475,000	1.37%	3,288	320,000	-	160,000	160,000	160,000
<u>Borrowings and Direct Placements</u>								
Right-to-Use Lease Liabilities	\$ 34,548	3.91%	836	25,740	-	9,290	16,450	9,733
Accrued Vacation and Leave			-	151,678	157,271	151,678	157,271	157,271
Total Governmental Activities			\$ 20,807	\$ 1,487,418	\$ 157,271	\$ 385,968	\$ 1,258,721	\$ 392,004
<u>Business-Type Activities</u>								
<u>Certificates of Obligation</u>								
2019 General Obligation Combination Tax and Revenue	\$ 1,075,000	1.80% - 2.45%	\$ 15,670	\$ 780,000	\$ -	\$ 105,000	\$ 675,000	\$ 105,000
<u>Revenue Bonds</u>								
2013 General Obligation Refunding Bonds	\$ 1,840,000	1.27% - 3.12%	13,637	550,000	-	175,000	375,000	190,000
2018A Revenue Bonds Utility System	\$ 2,755,000	0.61% - 2.37%	52,372	2,475,000	-	75,000	2,400,000	75,000
2018B Revenue Bonds Utility System	\$ 6,645,000	0.00%	-	6,355,000	-	115,000	6,240,000	100,000
<u>Borrowings and Direct Placements</u>								
Line of Credit	\$ 1,000,000	5.00%	12,087	-	744,710	744,710	-	-
Right-to-Use Lease Liabilities	\$ 27,472	3.91%	762	22,460	-	5,999	16,461	6,534
Accrued Vacation and Leave			-	44,220	43,317	44,220	43,317	43,317
Total Business-type Activities			\$ 94,528	\$ 10,226,680	\$ 788,027	\$ 1,264,929	\$ 9,749,778	\$ 519,851

Annual debt service requirements as of September 30, 2023 are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Certificates of Obligation and Tax Notes			Certificates of Obligation and Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 225,000	\$ 17,259	\$ 242,259	\$ 470,000	\$ 73,503	\$ 543,503
2025	65,000	15,578	80,578	485,000	64,563	549,563
2026	65,000	14,895	79,895	450,000	58,154	508,154
2027	65,000	14,115	79,115	460,000	54,367	514,367
2028	70,000	13,270	83,270	460,000	50,279	510,279
2029-2033	360,000	48,362	408,362	1,870,000	206,575	2,076,575
2034-2038	235,000	10,770	245,770	1,770,000	157,225	1,927,225
2039-2043	-	-	-	1,825,000	100,682	1,925,682
2044-2048	-	-	-	1,900,000	35,670	1,935,670
Total	\$ 1,085,000	\$ 134,249	\$ 1,219,249	\$ 9,690,000	\$ 801,018	\$ 10,491,018

Future right-to-use lease payments due to maturity as of the end of the fiscal year are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Right-to-Use Lease Liabilities			Right-to-Use Lease Liabilities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 9,733	\$ 482	\$ 10,215	\$ 6,534	\$ 575	\$ 7,109
2025	5,480	120	5,600	5,185	284	5,469
2026	1,046	29	1,075	4,063	114	4,177
2027	191	1	192	679	3	682
2028	-	-	-	-	-	-
Total	\$ 16,450	\$ 632	\$ 17,082	\$ 16,461	\$ 976	\$ 17,437

Interest expense for the year was \$29,807 for governmental activities and \$94,528 for business-type activities.

H. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates as one of 928 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 comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	24
Active employees	34
	<hr/>
	78

C. 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 were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.36% and 17.33% in calendar years 2023 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2023 were \$340,520 and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at 12/31/2021	\$ 8,005,915	\$ 5,644,783	\$ 2,361,132
Changes for the year:			
Service Cost	234,469	-	234,469
Interest	539,741	-	539,741
Change of benefit terms	-	-	-
Difference between expected and actual experience	16,402	-	16,402
Changes of assumptions	-	-	-
Contributions - employer	-	330,789	(330,789)
Contributions - employee	-	114,748	(114,748)
Net Investment Income	-	(413,616)	413,616
Benefit payments, including refunds of employee contributions	(253,977)	(253,977)	-
Administrative expense	-	(3,566)	3,566
Other Charges	-	4,257	(4,257)
Net Changes	\$ 536,635	\$ (221,365)	\$ 758,000
Balance at 12/31/2022	\$ 8,542,550	\$ 5,423,418	\$ 3,119,132

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$4,355,857	\$3,119,132	\$2,100,720

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.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2023, the city recognized pension expense of \$406,356.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 52,194	\$ 80,800
Changes in actuarial assumptions	10,350	-
Net difference between projected and actual investment earnings	374,280	-
Contributions subsequent to the measurement date	242,291	-
Total	\$ 679,115	\$ 80,800

\$242,291 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 December 31:	
2023	\$ 40,489
2024	78,525
2025	76,134
2026	160,876
2027	-
Thereafter	-
Total	\$ 356,024

I. DEFINED BENEFIT OPEB PLANS

A. Plan Description

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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 an other post-employment 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). As such the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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.

B. Benefits Provided

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	5
Active employees	34
	<hr/>
	62

C. Total OPEB Liability

The City's total OPEB liability of \$126,678 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related cost	\$0
Administrative expense	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, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 173,593
Changes for the year:	
Service Cost	8,224
Interest	3,245
Change of benefit terms	-
Differences between expected and actual experience	3,266
Changes in assumptions or other inputs	(58,973)
Benefit payments**	(2,677)
Net Changes	\$ (46,915)
Balance at 12/31/2022	\$ 126,678

** Due to 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.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB liability	\$149,517	\$126,678	\$108,536

D. 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 \$8,638.

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 experience	\$ 3,647	\$ 1,697
Changes in assumptions and other inputs	20,925	49,639
Contributions made subsequent to the measurement date	2,653	-
Total	\$ 27,225	\$ 51,336

\$2,653 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:	
2023	\$ (3,537)
2024	(3,714)
2025	(6,177)
2026	(9,690)
2027	(3,646)
Thereafter	-
Total	\$ (26,764)

J. ECONOMIC DEPENDENCY

The City has significant economic dependency upon the citizens of the City for both tax revenue and utility fund revenue.

K. CONTINGENCIES

The City participates in various state and federal grant programs which are governed by certain rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, if any, refunds of any money received and the collectability of any related receivable at September 30, 2023 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statement for such contingencies.

L. LITIGATION

The City’s legal counsel advises that there is no pending or threatened litigation involving the City as of September 30, 2023.

M. COMMITMENTS

As of September 31, 2023, future construction commitments for Phase I (Part II) of the Water System Improvements project was \$758,553.

N. SUBSEQUENT EVENTS

On January 18, 2024, the board adopted a resolution authorizing and approving publication and posting of a notice of intention to issue the City’s Combination Tax and Limited Pledge Revenue Certificates of Obligation in a Maximum Aggregate Principal Amount not to exceed \$2,500,000 and other matters in connection therewith.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,372,701	\$ 1,222,101	\$ 1,065,432	\$ (156,669)
General Sales and Use Taxes	1,625,000	1,800,138	1,811,098	10,960
Franchise Tax	182,000	182,000	187,116	5,116
Penalty and Interest on Taxes	20,000	22,200	22,568	368
Licenses and Permits	47,400	55,193	56,304	1,111
Intergovernmental Revenue and Grants	50,000	38,000	30,569	(7,431)
Charges for Services	1,062,511	1,034,509	1,022,703	(11,806)
Fines	121,225	156,737	131,722	(25,015)
Investment Earnings	4,500	8,786	23,174	14,388
Contributions & Donations from Private Sources	-	1,892	8,156	6,264
Other Revenue	7,400	6,064	8,411	2,347
Total Revenues	<u>4,492,737</u>	<u>4,527,620</u>	<u>4,367,253</u>	<u>(160,367)</u>
EXPENDITURES:				
Current:				
Administration	340,071	321,413	299,587	21,826
Municipal Court	109,543	105,508	94,898	10,610
Street	584,964	630,423	410,437	219,986
Police	1,216,950	1,166,074	1,101,542	64,532
Health & Sanitation	910,500	813,000	880,621	(67,621)
Animal Control	192,345	195,844	187,936	7,908
Parks & Recreation	57,953	27,952	24,507	3,445
Golf Course	20,500	50,350	37,256	13,094
Library	155,101	158,550	155,752	2,798
Airport	137,713	137,265	121,197	16,068
Community Center	20,678	17,625	14,894	2,731
Code Enforcement	148,731	132,343	109,055	23,288
Emergency Management	400	6,260	6,213	47
Capital Outlay	112,000	1,148,995	1,119,361	29,634
Debt Service:				
Principal on Debt	160,000	160,000	169,290	(9,290)
Interest on Debt	3,288	3,288	4,124	(836)
Total Expenditures	<u>4,170,737</u>	<u>5,074,890</u>	<u>4,736,670</u>	<u>338,220</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>322,000</u>	<u>(547,270)</u>	<u>(369,417)</u>	<u>177,853</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(39,270)	(39,270)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(39,270)</u>	<u>(39,270)</u>
Net Change in Fund Balances	322,000	(547,270)	(408,687)	138,583
Fund Balance - October 1 (Beginning)	2,292,573	2,292,573	2,292,573	-
Fund Balance - September 30 (Ending)	<u>\$ 2,614,573</u>	<u>\$ 1,745,303</u>	<u>\$ 1,883,886</u>	<u>\$ 138,583</u>

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

CITY OF DEVINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
A. Total Pension Liability			
Service Cost	\$ 234,469	\$ 232,683	\$ 239,021
Interest (on the Total Pension Liability)	539,741	517,810	482,919
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	16,402	(136,526)	28,053
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(253,977)	(325,930)	(133,916)
Net Change in Total Pension Liability	\$ 536,635	\$ 288,037	\$ 616,077
Total Pension Liability - Beginning	8,005,915	7,717,878	7,101,801
Total Pension Liability - Ending	\$ 8,542,550	\$ 8,005,915	\$ 7,717,878
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 330,789	\$ 307,393	\$ 328,037
Contributions - Employee	114,748	114,060	118,425
Net Investment Income	(413,616)	642,427	325,511
Benefit Payments, Including Refunds of Employee Contributions	(253,977)	(325,930)	(133,916)
Administrative Expense	(3,566)	(2,962)	(2,099)
Other	4,257	20	(82)
Net Change in Plan Fiduciary Net Position	\$ (221,365)	\$ 735,008	\$ 635,876
Plan Fiduciary Net Position - Beginning	5,644,783	4,909,775	4,273,899
Plan Fiduciary Net Position - Ending	\$ 5,423,418	\$ 5,644,783	\$ 4,909,775
C. Net Pension Liability	\$ 3,119,132	\$ 2,361,132	\$ 2,808,103
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.49%	70.51%	63.62%
E. Covered Payroll	\$ 1,912,475	\$ 1,901,003	\$ 1,973,751
F. Net Pension Liability as a Percentage of Covered Payroll	163.09%	124.20%	142.27%

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

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 247,708	\$ 221,419	\$ 205,888	\$ 165,807	\$ 128,659	\$ 108,237
440,552	397,975	357,395	326,844	262,136	205,116
-	-	-	646,960	605,272	-
44,981	131,753	169,723	65,984	(67,120)	(64,331)
37,226	-	-	-	53,414	-
(143,026)	(124,016)	(155,138)	(96,994)	(62,081)	(37,770)
\$ 627,441	\$ 627,131	\$ 577,868	\$ 1,108,601	\$ 920,280	\$ 211,252
6,474,360	5,847,229	5,269,361	4,160,760	3,106,240	2,894,988
\$ 7,101,801	\$ 6,474,360	\$ 5,847,229	\$ 5,269,361	\$ 4,026,520	\$ 3,106,240
\$ 339,024	\$ 300,137	\$ 282,988	\$ 204,547	\$ 137,430	\$ 128,545
123,957	111,640	103,722	82,164	79,715	72,789
531,305	(97,193)	366,634	155,456	3,161	107,125
(143,026)	(124,016)	(155,138)	(96,994)	(62,081)	(37,770)
(2,993)	(1,874)	(1,897)	(1,754)	(1,925)	(1,118)
(89)	(97)	(96)	(95)	(95)	(92)
\$ 848,178	\$ 188,597	\$ 596,213	\$ 343,324	\$ 156,205	\$ 269,479
3,425,721	3,237,124	2,640,911	2,297,587	2,141,381	1,871,902
\$ 4,273,899	\$ 3,425,721	\$ 3,237,124	\$ 2,640,911	\$ 2,297,586	\$ 2,141,381
\$ 2,827,902	\$ 3,048,639	\$ 2,610,105	\$ 2,628,450	\$ 1,728,934	\$ 964,859
60.18%	52.91%	55.36%	50.12%	57.06%	68.94%
\$ 2,065,958	\$ 1,860,662	\$ 1,728,698	\$ 1,643,285	\$ 1,719,860	\$ 1,455,779
136.88%	163.85%	150.99%	159.95%	100.53%	66.28%

CITY OF DEVINE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2023

	2023	2022	2021
Actuarially Determined Contribution	\$ 340,520	\$ 314,799	\$ 313,566
Contributions in Relation to the Actuarially Determined Contributions	(340,520)	(314,799)	(313,566)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,962,498	\$ 1,850,219	\$ 1,924,511
Contributions as a Percentage of Covered Payroll	17.35%	17.01%	16.29%

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

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

	2020	2019	2018	2017	2016	2015
\$	323,515	\$ 338,205	\$ 291,567	\$ 262,836	\$ 197,955	\$ 128,545
	(323,515)	(338,205)	(291,567)	(262,836)	(197,955)	(128,545)
\$	-	\$ -	\$ -	\$ -	\$ -	-
\$	1,952,938	\$ 2,069,671	\$ 1,800,908	\$ 1,689,824	\$ 1,719,860	\$ 1,455,779
	16.57%	16.34%	16.19%	15.55%	11.51%	8.83%

CITY OF DEVINE, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Total OPEB Liability			
Service Cost	\$ 8,224	\$ 7,414	\$ 5,921
Interest on the Total OPEB Liability	3,245	3,249	3,732
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	3,266	417	(2,113)
Changes of Assumptions	(58,973)	4,931	19,964
Benefit Payments*	(2,677)	(2,281)	(790)
Net Change in Total OPEB Liability	(46,915)	13,730	26,714
Total OPEB Liability - Beginning	173,593	159,863	133,149
Total OPEB Liability - Ending	\$ 126,678	\$ 173,593	\$ 159,863
Covered Payroll	\$ 1,913,277	\$ 1,901,003	\$ 1,973,751
Total OPEB Liability as a Percentage of Covered Payroll	6.62%	9.13%	8.10%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
\$	4,339	\$ 4,466	\$ 3,457
	4,025	3,495	3,424
	-	-	-
	(1,857)	3,231	-
	20,742	(7,555)	8,086
	(826)	(558)	(346)
	26,423	3,079	14,621
	106,726	103,647	89,026
\$	133,149	\$ 106,726	\$ 118,268
\$	2,065,958	\$ 1,860,662	\$ 1,728,698
	6.44%	5.74%	6.00%

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CITY OF DEVINE, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	23 Years (longest amortization ladder)
Asset Valuation Method:	10 year smoothed market, 12% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 11.50% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan on 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: PUM(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes: There were no benefit changes during the year

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF DEVINE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2023

	201 Lodging Tax Fund	202 TCOLE Fund	203 Unclaimed Property Fund	204 TIF Fund
ASSETS				
Cash and Cash Equivalents	\$ 63,996	\$ 643	\$ 123	\$ 62,344
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Accounts Receivable, Net	2,021	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	\$ 66,017	\$ 643	\$ 123	\$ 62,344
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 122	\$ -
Total Liabilities	-	-	122	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	66,017	643	1	62,344
Total Fund Balances	66,017	643	1	62,344
Total Liabilities, Deferred Inflows & Fund Balances	\$ 66,017	\$ 643	\$ 123	\$ 62,344

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

205 Home Program Fund	Total Nonmajor Special Revenue Funds	301 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 6,577	\$ 133,683	\$ 410,149	\$ 543,832
-	-	15,921	15,921
-	-	(1,592)	(1,592)
-	2,021	-	2,021
-	-	98	98
<u>\$ 6,577</u>	<u>\$ 135,704</u>	<u>\$ 424,576</u>	<u>\$ 560,280</u>
<u>\$ -</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 122</u>
<u>-</u>	<u>122</u>	<u>-</u>	<u>122</u>
<u>-</u>	<u>-</u>	<u>12,589</u>	<u>12,589</u>
<u>-</u>	<u>-</u>	<u>12,589</u>	<u>12,589</u>
-	-	411,987	411,987
6,577	135,582	-	135,582
<u>6,577</u>	<u>135,582</u>	<u>411,987</u>	<u>547,569</u>
<u>\$ 6,577</u>	<u>\$ 135,704</u>	<u>\$ 424,576</u>	<u>\$ 560,280</u>

CITY OF DEVINE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	201 Lodging Tax Fund	202 TCOLE Fund	203 Unclaimed Property Fund	204 TIF Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ 5,234
Lodging Taxes	20,293	-	-	-
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	987	-	-
Investment Earnings	268	4	-	-
Total Revenues	<u>20,561</u>	<u>991</u>	<u>-</u>	<u>5,234</u>
EXPENDITURES:				
Current:				
Administration	6,640	-	-	-
Police	-	2,012	-	-
Debt Service:				
Principal on Debt	-	-	-	-
Interest on Debt	-	-	-	-
Total Expenditures	<u>6,640</u>	<u>2,012</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,921</u>	<u>(1,021)</u>	<u>-</u>	<u>5,234</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	39,270
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,270</u>
Net Change in Fund Balance	13,921	(1,021)	-	44,504
Fund Balance - October 1 (Beginning)	<u>52,096</u>	<u>1,664</u>	<u>1</u>	<u>17,840</u>
Fund Balance - September 30 (Ending)	<u>\$ 66,017</u>	<u>\$ 643</u>	<u>\$ 1</u>	<u>\$ 62,344</u>

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

205 Home Program Fund	Total Nonmajor Special Revenue Funds	301 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 5,234	\$ 251,044	\$ 256,278
-	20,293	-	20,293
-	-	3,563	3,563
327,038	328,025	-	328,025
-	272	1,921	2,193
<u>327,038</u>	<u>353,824</u>	<u>256,528</u>	<u>610,352</u>
321,072	327,712	-	327,712
-	2,012	-	2,012
-	-	65,000	65,000
-	-	16,682	16,682
<u>321,072</u>	<u>329,724</u>	<u>81,682</u>	<u>411,406</u>
<u>5,966</u>	<u>24,100</u>	<u>174,846</u>	<u>198,946</u>
-	39,270	-	39,270
-	39,270	-	39,270
5,966	63,370	174,846	238,216
611	72,212	237,141	309,353
<u>\$ 6,577</u>	<u>\$ 135,582</u>	<u>\$ 411,987</u>	<u>\$ 547,569</u>

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

To Honorable Mayor
and Members of the City Council
City of Devine, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, 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 Devine, Texas basic financial statements, and have issued our report thereon dated February 23, 2024.

Report on Internal Control over Financial Reporting

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Devine, 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 financial statements. 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 City of Devine, Texas internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Devine, Texas internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coleman, Horton and Company, LLP

Uvalde, Texas

February 23, 2024

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ANNUAL FINANCIAL REPORT
OF THE CITY OF DEVINE, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

OFFICIALS:

Mayor..... Butch Cook
Councilman - District 1..... Rufino Vega
Councilman - District 2..... Michael Hernandez
Councilwoman - District 3..... Stacy Pyron
Councilman - District 4..... Josh Ritchey
Councilwoman - District 5.....Debbie Randall
City AdministratorDavid L. Jordan
City Secretary Dora V. Rodriguez
City TreasurerDenise Duffy
City Attorney Thomas P. Cate
City Judge Anna L. Whorton

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