

ANNUAL FINANCIAL REPORT
OF THE
CITY OF LAVON, TEXAS

Fiscal Year Ended September 30, 2023

Mayor
Vicki Sanson



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

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INTRODUCTORY SECTION

**City of Lavon, Texas
Principal Officials
September 30, 2023**

City Council

| | |
|---------------|---------|
| Vicki Sanson | Mayor |
| John Kell | Place 1 |
| Mike Cook | Place 2 |
| Kay Wright | Place 3 |
| Ted Dill | Place 4 |
| Lindsey Hedge | Place 5 |

FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
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Point, Texas 75472

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Lavon, Texas
P.O. Box 340
Lavon, Texas 75166

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavon, 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 Lavon, Texas' basic financial statements as listed in the table of contents.

In my 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavon, 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 of Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Lavon, Texas, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Lavon, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinions. Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- 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 Lavon, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lavon, Texas' ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lavon, Texas' basic financial statements. The individual component unit financial statements as well as the combining non-major governmental fund financial statements are presented for additional analysis and are not a required part of the basic financial statements.

The individual component unit financial statements as well as the combining non-major governmental fund financial statements are the responsibility of management and were derived from and relate directly to the

underlying accounting and other records used to prepare the basic financial statements. 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 my opinion, the individual component unit financial statements and the combining non-major governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Respectfully Submitted,

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

March 13, 2024

CITY OF LAVON, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

As management of the City of Lavon ("City"), we offer the readers of the City of Lavon's financial statements this narrative overview and analysis of the financial activities of the City of Lavon for the fiscal year ended September 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Lavon exceeded its liabilities and deferred inflows/outflows at the close of the fiscal year by \$23,349,536 (net position). Of this amount, \$10,806,189, or 46%, is investment in capital assets, \$1,011,398, or 4.33%, is restricted for court, police, and debt service. The remaining net of \$11,531,949, or 49%, may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with the City's fund designation and policies.
- The City's total net position increased \$5,384,922, before prior period adjustment.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$15,107,953. This represents a decrease of (\$5,555,266) in net fund balance, before prior period adjustment.
- As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$14,094,670 which was approximately 129% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lavon's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The first two statements (pages 18-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-30) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the Governmental Fund financial statements, 2) the Proprietary Fund financial statements, and 3) the Fiduciary Fund statements.

The next section of the basic financial statements are the **notes**. The notes to the financial statements explain in detail some of the data contained in the statements. After the notes, **required supplemental information** (pages 47-51) is provided to show details about the City's pension plan. **Supplemental information** (pages 53-59) is also included to provide combining non-major fund financial statements for other major governmental funds and component unit information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide both short and long-term information about the City's financial status as a whole.

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

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

Both government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component unit activity. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The final category is the component unit. The City includes one separate legal entity in its report – City of Lavon Economic Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable to them.

The government-wide financial statements are on pages 18-21 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories as previously described.

**CITY OF LAVON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2022**

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

Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Other Governmental Funds. Data from the other governmental funds is provided in the form of combining statements in the supplementary information. Governmental Fund financial statements can be found on pages 22-30 of this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows. The City has only two proprietary funds, the Wastewater Utility Fund and the Solid Waste Utility Fund, both combined into a single fund..

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary Funds – Fiduciary Funds are used to account for amounts held on behalf of others by the City as a trustee, or fiduciary. The City is the trustee, or fiduciary, for certain amounts held on behalf of certain PIDs and developers.. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. The activities of this fund are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

**CITY OF LAVON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2022**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31-46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining statements and individual fund statements can be found on pages 54-55 of this report.

CITY OF LAVON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2023

Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------|--------------------------------|----------------------|---------------------------------|---------------------|---------------------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 17,042,173 | \$ 22,110,895 | \$ 7,869,115 | \$ 3,662,669 | \$ 24,911,288 | \$ 25,773,564 |
| Capital assets | 12,952,762 | 8,097,525 | 5,773,975 | 4,553,519 | 18,726,737 | 12,651,044 |
| Total assets | 29,994,935 | 30,208,420 | 13,643,090 | 8,216,188 | 43,638,025 | 38,424,608 |
| Deferred outflows-pension | 604,410 | 290,683 | - | - | 604,410 | 290,683 |
| Current liabilities | 2,376,698 | 927,153 | 2,115,729 | 2,092,069 | 4,492,427 | 3,019,222 |
| Long-term liabilities | 15,790,008 | 15,653,631 | 1,012,920 | 1,504,380 | 16,802,928 | 17,158,011 |
| Total liabilities | 18,166,706 | 16,580,784 | 3,128,649 | 3,596,449 | 21,295,355 | 20,177,233 |
| Deferred inflows of resources | | | | | | |
| Pension | 110,149 | 135,275 | - | - | 110,149 | 135,275 |
| Total deferred inflows | 110,149 | 135,275 | - | - | 110,149 | 135,275 |
| Net position: | | | | | | |
| Net investment in capital assets | 6,045,134 | 5,722,639 | 4,761,055 | 3,049,139 | 10,806,189 | 8,771,778 |
| Restricted | 1,011,398 | 728,022 | - | - | 1,011,398 | 728,022 |
| Unrestricted | 5,778,563 | 7,332,383 | 5,753,386 | 1,570,600 | 11,531,949 | 8,902,983 |
| Total net position | \$ 12,835,095 | \$ 13,783,044 | \$ 10,514,441 | \$ 4,619,739 | \$ 23,349,536 | \$ 18,402,783 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$23,349,536 as of September 30, 2023. The City's net position increased by \$5,384,922 for the fiscal year ended September 30, 2023, before prior period adjustment.

Net investment in capital assets:

The City's net position of net investment in capital assets of, \$10,806,189, or 46%, reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

The restricted net position of \$1,011,398, or 4.33%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation. Restricted net position is comprised of state imposed restrictions for court use, \$38,642, or 3.8%, and \$39,598, or 3.9%, for police use, and \$932,416 for debt service, and \$742 for hotel tax.

Unrestricted net position:

Unrestricted net position of \$11,531,949 or, 49%, is available to fund the City programs and obligations to its citizens and creditors.

CITY OF LAVON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2023

Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,239,543 | \$ 3,896,048 | \$ 4,936,859 | \$ 3,140,223 | \$ 7,176,402 | \$ 7,036,271 |
| Capital grants and contributions | 334,115 | 21,349 | 136,898 | 133,803 | 471,013 | 155,152 |
| Operating grants and contributions | 252,793 | - | - | - | 252,793 | - |
| General revenues: | | | | | | |
| Property tax | 3,037,787 | 2,270,650 | - | - | 3,037,787 | 2,270,650 |
| Sales tax | 1,034,601 | 814,149 | - | - | 1,034,601 | 814,149 |
| Franchise tax | 227,843 | 184,975 | - | - | 227,843 | 184,975 |
| Investment income | 622,128 | 133,117 | 60,818 | 19,671 | 682,946 | 152,788 |
| Miscellaneous | 65,958 | 65,312 | - | - | 65,958 | 65,312 |
| Total revenues | 7,814,768 | 7,385,600 | 5,134,575 | 3,293,697 | 12,949,343 | 10,679,297 |
| Expenses: | | | | | | |
| Program expenses | | | | | | |
| General government | \$ 920,418 | \$ 951,293 | \$ - | \$ - | \$ 920,418 | \$ 951,293 |
| Public services | 92,913 | 128,889 | - | - | 92,913 | 128,889 |
| Public safety | 3,101,615 | 2,619,805 | - | - | 3,101,615 | 2,619,805 |
| Public works | 1,420,986 | 1,617,920 | - | - | 1,420,986 | 1,617,920 |
| Parks and recreation | 10,434 | - | - | - | 10,434 | - |
| Interest on long-term debt | 374,460 | 327,418 | - | - | 374,460 | 327,418 |
| Sewer and garbage | - | - | 1,643,595 | 1,337,746 | 1,643,595 | 1,337,746 |
| Total expenses | 5,920,826 | 5,645,325 | 1,643,595 | 1,337,746 | 7,564,421 | 6,983,071 |
| Change in net assets before other | | | | | | |
| Financing sources (uses) | 1,893,942 | 1,740,275 | 3,490,980 | 1,955,951 | 5,384,922 | 3,696,226 |
| Other financing sources (uses): | | | | | | |
| Transfers | (2,403,722) | 1,823,569 | 2,403,722 | (1,823,569) | - | - |
| Total other financing sources (uses) | (2,403,722) | 1,823,569 | 2,403,722 | (1,823,569) | - | - |
| Total change in net position | (509,780) | 3,563,844 | 5,894,702 | 132,382 | 5,384,922 | 3,696,226 |
| Net position - October 1 | 13,787,045 | 10,223,200 | 4,619,739 | 4,487,357 | 18,406,784 | 14,710,557 |
| Prior period adjustments | (438,170) | - | - | - | (438,170) | - |
| Net position - September 30 | \$ 12,839,095 | \$ 13,787,044 | \$ 10,514,441 | \$ 4,619,739 | \$ 23,353,536 | \$ 18,406,783 |

CITY OF LAVON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2023

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City's governmental funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2023, the City's governmental funds reported total fund balances of \$15,107,953, a 28.4% decrease comparison with the prior year's total ending fund balance. The components of total fund balance as follows:

- Restricted fund balances of \$1,011,398, or 6.7%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
 - \$38,642, or 3.8%, for court use;
 - \$39,598, or 3.92%, for police;
 - \$742, or .1% for hotel.
 - \$932,416, or 92.2%, for debt service;
- Assigned fund balance of \$1,885, or 0.01%, of total fund balance, is for public safety.
- Unassigned fund balance of \$14,094,670, or 93.3%, of total fund balance, represents the residual available balance that has not been restricted, committed, or assigned by management, City Council, or otherwise.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$14,094,670, compared to \$20,369,878 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 129% of total General Fund expenditures.

General Fund Budgetary Highlights: Generally, budget amendments fall into one of three categories: (1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available, (2) amendments made to recognize new funding sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services. During the fiscal year, the City revised the original adopted budget.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$5,753,386.

CITY OF LAVON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2023

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, totals \$18,726,737 (net of accumulated depreciation). These assets include land, buildings and improvements, infrastructure, vehicles and equipment. The total increase in capital assets for the current fiscal year was 59.96%.

Capital Assets
September 30, 2023
(net of accumulated depreciation)

| | Governmental | | Business-type | | Total | |
|--------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 2,079,235 | \$ 1,805,756 | \$ - | \$ - | \$ 2,079,235 | \$ 1,805,756 |
| Buildings & Improvements | 831,205 | 400,880 | - | - | 831,205 | 400,880 |
| Infrastructure | 7,633,546 | 3,662,720 | 5,760,024 | 4,089,117 | 13,393,570 | 7,751,837 |
| Machinery & Equipment | 2,408,776 | 1,703,229 | 13,951 | 20,827 | 2,422,727 | 1,724,056 |
| Construction in Progress | - | 524,940 | - | 443,575 | - | 968,515 |
| Total | \$ 12,952,762 | \$ 8,097,525 | \$ 5,773,975 | \$ 4,553,519 | \$ 18,726,737 | \$ 12,651,044 |

More detailed information about the City's capital assets is presented in Note G to the financial statements

Long-Term Debt - As of September 30, 2023, the City had outstanding long-term debt in the amount of \$15,275,592, a decrease of \$756,705.

Outstanding Debt
As of September 30, 2023

| | Governmental | | Business-type | | Total | |
|------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Capital Leases Payable | \$ - | \$ 44,499 | \$ - | \$ - | \$ - | \$ 44,499 |
| Bonds Payable | 14,262,672 | 14,483,418 | 1,012,920 | 1,504,380 | 15,275,592 | 15,987,798 |
| Total | \$ 14,262,672 | \$ 14,527,917 | \$ 1,012,920 | \$ 1,504,380 | \$ 15,275,592 | \$ 16,032,297 |

More detailed information about the City's long-term debt is presented in Note I to the financial statements

**CITY OF LAVON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2023**

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective, and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council and administration set the direction of the City, allocate its resources, and establish its priorities.

The City annually reviews all of its fees as part of the budget adoption process. Fees for general government as well as user charges are evaluated and, if needed, adjusted to meet the needs of the operations of the systems. The budget is adopted and a tax rate is approved to meet the demands of the budget. For 2023, rates set for fees and taxes are estimated to meet operational demand similar to the current year.

The adopted tax rate for FY 2023-2024 will be a tax rate of \$0.420000 per \$100 valuation.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the City's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the City of Lavon, PO Box 340, Lavon, Texas 75166.



BASIC FINANCIAL STATEMENTS

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

| | Primary Government | | | Component Unit |
|---|--------------------------------|---------------------------------|----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | EDC |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,929,524 | \$ 7,770,961 | \$ 13,700,485 | \$ 566,602 |
| Receivables (net of allowance for uncollectibles) | 290,739 | 98,154 | 388,893 | 96,903 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 10,821,910 | - | 10,821,910 | - |
| Cash held in a fiduciary capacity (PID) | 512,605 | - | 512,605 | - |
| Capital assets not being depreciated: | | | | |
| Land | 2,079,235 | - | 2,079,235 | - |
| Capital assets net of accumulated depreciation: | | | | |
| Building & improvements | 831,205 | - | 831,205 | - |
| Infrastructure & improvements | 7,633,546 | 5,760,024 | 13,393,570 | 257,519 |
| Machinery & equipment | 2,408,776 | 13,951 | 2,422,727 | - |
| Total assets | 30,507,540 | 13,643,090 | 44,150,630 | 921,024 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources-pension | 604,410 | - | 604,410 | - |
| LIABILITIES | | | | |
| Accounts payable | 922,178 | 127,806 | 1,049,984 | - |
| Payroll liabilities | 14,548 | - | 14,548 | - |
| Other liabilities | 98,042 | 1,987,923 | 2,085,965 | - |
| Funds held in a fiduciary capacity (PID) | 512,605 | - | 512,605 | - |
| Deferred ARPA funding | 829,325 | - | 829,325 | - |
| Non-current liabilities: | | | | |
| Due within one year: | | | | |
| Accrued interest payable | 61,278 | - | 61,278 | - |
| Bonds payable | 105,000 | 480,000 | 585,000 | - |
| Due in more than one year: | | | | |
| Compensated absences | 157,196 | - | 157,196 | - |
| Net pension liability | 1,266,599 | - | 1,266,599 | - |
| Net OPEB liability | 42,263 | - | 42,263 | - |
| Bonds payable | 14,157,672 | 532,920 | 14,690,592 | - |
| Note payable | - | - | - | 339,244 |
| Total liabilities | 18,166,706 | 3,128,649 | 21,295,355 | 339,244 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources-pension | 110,149 | - | 110,149 | - |
| Total deferred inflows of resources | 110,149 | - | 110,149 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 6,045,134 | 4,761,055 | 10,806,189 | - |
| Restricted for: | | | | |
| Court uses | 38,642 | - | 38,642 | - |
| Police | 39,598 | - | 39,598 | - |
| Debt Service | 932,416 | - | 932,416 | - |
| Hotel | 742 | - | 742 | - |
| Unrestricted | 5,778,563 | 5,753,386 | 11,531,949 | 581,780 |
| Total net position | \$ 12,835,095 | \$ 10,514,441 | \$ 23,349,536 | \$ 581,780 |

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



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

| Function/Program Activities | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|----------------------|----------------------------------|------------------------------------|
| | | Charges for Services | Capital Grants and Contributions | Operating Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General government | \$ 920,418 | \$ - | \$ 331,375 | \$ 251,733 |
| Public service | 92,913 | - | - | - |
| Public safety | 3,101,615 | 244,425 | 2,740 | 1,060 |
| Public works | 1,420,986 | 1,995,118 | - | - |
| Parks and recreation | 10,434 | - | - | - |
| Bond issue costs | - | - | - | - |
| Interest on long-term debt | 374,460 | - | - | - |
| Total governmental activities | 5,920,826 | 2,239,543 | 334,115 | 252,793 |
| Business-type Activities: | | | | |
| Wastewater | 960,871 | 4,058,979 | 136,898 | - |
| Solid waste | 680,084 | 877,880 | - | - |
| Interest on long-term debt | 2,640 | - | - | - |
| Total business-type activities | 1,643,595 | 4,936,859 | 136,898 | - |
| Total primary government | \$ 7,564,421 | \$ 7,176,402 | \$ 471,013 | \$ 252,793 |
| Component units: | | | | |
| Economic Development Corporation | \$ 157,562 | \$ - | \$ - | \$ - |
| Total component unit: | \$ 157,562 | \$ - | \$ - | \$ - |

General revenues:

Property tax
Sales & mixed beverage tax
Franchise tax
Investment income
Miscellaneous
Transfers
Total general revenues
Change in net position
Net position - beginning
Prior period adjustments
Net position - ending

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

**Net (Expense) Revenue
and Changes in Net Position**

| Primary Government | | | Component Unit |
|------------------------------------|--------------------------------|----------------------|-----------------------|
| Governmental Activities | Business Activities | Total | EDC |
| \$ (337,310) | \$ - | \$ (337,310) | \$ - |
| (92,913) | - | (92,913) | - |
| (2,853,390) | - | (2,853,390) | - |
| 574,132 | - | 574,132 | - |
| (10,434) | - | (10,434) | - |
| - | - | - | - |
| (374,460) | - | (374,460) | - |
| (3,094,375) | - | (3,094,375) | - |
| - | 3,235,006 | 3,235,006 | - |
| - | 197,796 | 197,796 | - |
| - | (2,640) | (2,640) | - |
| - | 3,430,162 | 3,430,162 | - |
| <u>\$ (3,094,375)</u> | <u>\$ 3,430,162</u> | <u>\$ 335,787</u> | <u>\$ -</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ (157,562) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (157,562)</u> |
| | | | |
| \$ 3,037,787 | \$ - | \$ 3,037,787 | \$ - |
| 1,034,601 | - | 1,034,601 | 344,021 |
| 227,843 | - | 227,843 | - |
| 622,128 | 60,818 | 682,946 | 17,183 |
| 65,958 | - | 65,958 | 2,909 |
| (2,403,722) | 2,403,722 | - | - |
| 2,584,595 | 2,464,540 | 5,049,135 | 364,113 |
| (509,780) | 5,894,702 | 5,384,922 | 206,551 |
| 13,783,045 | 4,619,739 | 18,402,784 | 375,229 |
| (438,170) | - | (438,170) | - |
| <u>\$ 12,835,095</u> | <u>\$ 10,514,441</u> | <u>\$ 23,349,536</u> | <u>\$ 581,780</u> |

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

CITY OF LAVON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

| | General Fund | Debt Service Fund | Other Governmental Funds | Total |
|---|-------------------------|----------------------------------|---|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,929,524 | \$ - | \$ - | \$ 5,929,524 |
| Receivables (net of allowance for uncollectibles) | 290,739 | - | - | 290,739 |
| Cash and cash equivalents - restricted | 9,807,627 | 933,416 | 80,867 | 10,821,910 |
| Cash held in a fiduciary capacity | - | - | 512,605 | 512,605 |
| Total assets | 16,027,890 | 933,416 | 593,472 | 17,554,778 |
| LIABILITIES | | | | |
| Accounts payable | 921,180 | 1,000 | - | 922,180 |
| Funds held in a fiduciary capacity | - | - | 512,605 | 512,605 |
| Payroll accrual | 14,548 | - | - | 14,548 |
| Other liabilities | 159,320 | - | - | 159,320 |
| Total liabilities | 1,095,048 | 1,000 | 512,605 | 1,608,653 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property tax revenue | 8,847 | - | - | 8,847 |
| Deferred ARPA funding | 829,325 | - | - | 829,325 |
| Total deferred inflows of resources | 838,172 | - | - | 838,172 |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Court use | - | - | 38,642 | 38,642 |
| Police | - | - | 39,598 | 39,598 |
| Public works | - | - | - | - |
| Debt service | - | 932,416 | - | 932,416 |
| Hotel | - | - | 742 | 742 |
| Construction projects | 8,276,721 | - | - | 8,276,721 |
| Assigned for: | | | | |
| Police | - | - | 1,885 | 1,885 |
| Unassigned | 5,817,949 | - | - | 5,817,949 |
| Total fund balances | 14,094,670 | 932,416 | 80,867 | 15,107,953 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 16,027,890 | \$ 933,416 | \$ 593,472 | \$ 17,554,778 |

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

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

Total fund balances - governmental funds balance sheet **\$ 15,546,123**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 16,712,189

Accumulated depreciation has not been included in the governmental fund financial statements. (3,759,428)

Revenue reported as deferred inflow of resources in the governmental fund financial statements was recorded as revenue in the government-wide financial statements. 8,847

Net pension liability that is not available within the current period and, therefore, is not reported within in the fund financial statements. (1,266,599)

Net other pension benefit liability is not due and payable in the current period, and therefore, is not reported in the fund financial statements. (42,260)

Deferred inflows/outflows of resources for pension are not reported in the fund financial statements. 494,261

Long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds. (14,419,868)

Net position of governmental activities - statement of net position **\$ 13,273,265**

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

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

| | General Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|----------------------------------|---|---|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 1,893,148 | \$ 1,143,869 | \$ - | \$ 3,037,017 |
| Sales | 1,033,859 | - | - | 1,033,859 |
| Franchise | 227,843 | - | - | 227,843 |
| Intergovernmental revenue - state and local | 177,353 | - | 742 | 178,095 |
| Grant income | 408,495 | - | - | 408,495 |
| Licenses and permits | 1,995,118 | - | - | 1,995,118 |
| Fines and fees | 193,492 | - | 50,742 | 244,234 |
| Donations | 1,060 | - | - | 1,060 |
| Miscellaneous | 65,958 | - | - | 65,958 |
| Investment income | 599,933 | 22,195 | - | 622,128 |
| Total revenues | 6,596,259 | 1,166,064 | 51,484 | 7,813,807 |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| General government | 842,480 | 6,269 | - | 848,749 |
| Public services | 97,712 | - | 7,752 | 105,464 |
| Public safety | 1,799,727 | - | 1,604 | 1,801,331 |
| Public works | 2,261,690 | - | - | 2,261,690 |
| Parks and recreation | 10,434 | - | - | 10,434 |
| Debt service: | | - | | |
| Principal retirement | 149,499 | - | - | 149,499 |
| Interest | 490,206 | - | - | 490,206 |
| Capital outlays | | | | |
| General government | 241,676 | - | - | 241,676 |
| Public safety | 1,189,816 | - | - | 1,189,816 |
| Public works | 3,866,676 | - | - | 3,866,676 |
| Total expenditures | 10,949,916 | 6,269 | 9,356 | 10,965,541 |
| Excess (deficiency) of revenues over (under) expenditures | (4,353,657) | 1,159,795 | 42,128 | (3,151,734) |
| Other revenues and financing sources (uses) | | | | |
| Transfers | (1,483,571) | (920,151) | - | (2,403,722) |
| Sale of assets | 190 | - | - | 190 |
| Total other financing sources (uses) | (1,483,381) | (920,151) | - | (2,403,532) |
| Net change in fund balances | (5,837,038) | 239,644 | 42,128 | (5,555,266) |
| Fund balances, October 1 | 20,369,878 | 692,772 | 38,739 | 21,101,389 |
| Prior period adjustments | (438,170) | - | - | (438,170) |
| Fund balances, September 30 | \$ 14,094,670 | \$ 932,416 | \$ 80,867 | \$ 15,107,953 |

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

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

| | |
|--|-----------------------|
| Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds | \$ (5,555,266) |
|--|-----------------------|

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

| | |
|--|-----------|
| Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2022 capital outlays is to increase net position. | 5,298,167 |
|--|-----------|

| | |
|---|-----------|
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. | (442,931) |
|---|-----------|

| | |
|--|---------|
| Current year long-term debt principal payments on contractual obligations are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. | 149,499 |
|--|---------|

| | |
|---|---------|
| Current year debt premium amortization is recorded as an expense within the government-wide financial statements and excluded from the governmental financial statements. | 115,745 |
|---|---------|

| | |
|--|-----------|
| Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds | (157,196) |
|--|-----------|

| | |
|--|-----|
| Deferred revenue reported within the governmental fund financial statements is eliminated from the government-wide financial statements through an adjustment to property taxes within the government wide financial statements. | 770 |
|--|-----|

| | |
|---|--------|
| Current year changes in pension expense do not require the use of current resources; therefore, this is not reported as expenditures in governmental funds. | 81,432 |
|---|--------|

| | |
|---|-----------------------------------|
| Change in net position - statement of activities | <u><u>\$ (509,780)</u></u> |
|---|-----------------------------------|

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

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

| | Utility Fund |
|--|-----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 7,770,961 |
| Receivables (net of allowance for uncollectibles) | 98,154 |
| Total current assets | <u>7,869,115</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Infrastructure | 7,100,940 |
| Machinery and equipment | 85,330 |
| Less: accumulated depreciation | <u>(1,412,295)</u> |
| Total capital assets (net of accumulated depreciation) | <u>5,773,975</u> |
| Total assets | <u><u>13,643,090</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 127,806 |
| Other liabilities | 1,984,910 |
| Payables from restricted funds: | |
| Bonds payable | - |
| Total current liabilities | <u>2,112,716</u> |
| Noncurrent liabilities: | |
| Bonds payable | 1,012,920 |
| Accrued Interest | <u>3,013</u> |
| Total noncurrent liabilities | <u>1,015,933</u> |
| Total liabilities | <u><u>3,128,649</u></u> |
| NET POSITION | |
| Net investment in capital assets | 4,761,055 |
| Unrestricted | <u>5,753,386</u> |
| Total net position | <u><u>\$ 10,514,441</u></u> |

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

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

| | Utility Fund |
|--|-------------------------|
| OPERATING REVENUES: | |
| Charges for services | \$ 4,936,860 |
| Total operating revenues | <u>4,936,860</u> |
| OPERATING EXPENSES: | |
| Contractual services | 1,348,124 |
| Repairs and maintenance | 9,520 |
| Utilities | 82,146 |
| Depreciation | 201,166 |
| Total operating expenses | <u>1,640,956</u> |
| Operating income (loss) | <u>3,295,904</u> |
| NON-OPERATING REVENUES (EXPENSES): | |
| Intergovernmental revenue | 136,898 |
| Interest expense | (2,640) |
| Investment income | 60,818 |
| Total non-operating revenues (expenses) | <u>195,076</u> |
| Transfers | 2,403,722 |
| Change in net position | 5,894,702 |
| Net position, October 1 | 4,619,739 |
| Net position, September 30 | <u>\$ 10,514,441</u> |

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

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

| | Utility Fund |
|---|----------------------------|
| Cash Flows from Operating Activities | |
| Cash received from customers | \$ 4,936,854 |
| Cash paid to suppliers for goods and services | (1,416,123) |
| Net cash provided by (used for) operating activities | <u>3,520,731</u> |
| Cash Flows from Noncapital Financing Activities | |
| Transfers to other funds | 2,403,722 |
| Net cash provided by (used for) noncapital financial activities | <u>2,403,722</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Principal paid on long-term debt | (491,460) |
| Interest paid on long-term debt | 134,258 |
| Acquisition of capital assets | (1,421,622) |
| Net cash provided by (used for) capital and related financing activities | <u>(1,778,824)</u> |
| Cash Flows from Investing Activities | |
| Interest income | 60,817 |
| Net cash provided by (used for) investing activities | <u>60,817</u> |
| Net increase (decrease) in cash and cash equivalents | 4,206,446 |
| Cash and cash equivalents at beginning of year | 3,564,515 |
| Cash and cash equivalents at end of year | <u>\$ 7,770,961</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income (loss) | \$ 3,295,905 |
| Adjustment to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 201,165 |
| Changes in assets and liabilities: | |
| (Decrease) increase in: | |
| Receivables | (5) |
| Total adjustments | <u>224,826</u> |
| Net cash provided by operating activities | <u>\$ 3,520,731</u> |

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

CITY OF LAVON, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2023

| | <u>PID</u> |
|---------------------------|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 512,605 |
| Total assets | <u>512,605</u> |
| LIABILITIES | |
| Other liabilities | 512,605 |
| Total liabilities | <u>\$ 512,605</u> |

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

**CITY OF LAVON, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| Heritage PID | Balance September 30, 2022 | Additions | Deductions | Balance September 30, 2023 |
|---------------------------|---|---------------------|-----------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,130,016 | \$ 3,252,581 | \$ (3,869,992) | \$ 512,605 |
| Total Assets | <u>1,130,016</u> | <u>3,252,581</u> | <u>(3,869,992)</u> | <u>512,605</u> |
| LIABILITIES | | | | |
| Collin County TIF | 1,130,016 | 3,252,581 | (3,869,992) | 512,605 |
| Total Liabilities | <u>\$ 1,130,016</u> | <u>\$ 3,252,581</u> | <u>\$ (3,869,992)</u> | <u>\$ 512,605</u> |

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

**CITY OF LAVON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lavon, Texas ("City") was incorporated in 1972 and is currently governed by an elected mayor and five-member council and provides the following services to its citizens: Public Safety (Police and Fire), Public Works, Waste Water Utilities, Solid Waste Utilities General Administrative Services, and parks and recreation.

The accounting reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*, and by the Financial Accounting Standards, when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council, and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The City is therefore considered a financial reporting entity as defined by GASB within Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations are Component Units".

Under GASB 14, component units are organizations for which the City is financially accountable, and all other organizations for which the nature and significance of their relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit(s) may be discretely presented in a separate column from the primary government, or blended within the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component unit, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component unit, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying reports because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component units provide services entirely or almost entirely to the citizenry and not the City.

The Lavon Economic Development Corporation ("EDC") is a discretely presented component unit of the City. The EDC is governed by a board of seven directors, all of whom are appointed by the City Council of the City and whom can be removed from office by the City Council at its will. The nature and significance of the relationship between the primary government and the EDC is such that exclusion would cause the City's financials to be misleading and incomplete. The EDC is legally separate, but due to the City appointing the voting majority of the EDC board, it is classified as a discretely presented component unit. The funding for the EDC occurs by the City transferring 25% of City sales tax collections to the EDC.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria for being included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

The basic financial statements are prepared in conformity with GAAP which require the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

2. Basis of Presentation

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**CITY OF LAVON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented in the required supplementary section that compares the budget with actual results.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the City for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City, and its component units, entities for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is a legally separate from the City.

The basic financial statements include both government-wide, (based on the City as a whole), and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the capital requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the operational requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns within the fund financial statements. The major governmental funds is the general fund and the debt service fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and solid waste funds are charges to customers for sales and services. The wastewater utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for business-type funds include the cost of sales and service and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The City's Fiduciary Fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories, as well as the fiduciary fund. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements and fiduciary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized as the liability is incurred.

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Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available when they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to inter-governmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The *General Fund* is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contracted agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are descriptions of the proprietary fund of the City.

The *Utility Fund* accounts for the operation of the City's wastewater and solid waste collection utility system, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Lavon.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

c. Receivable and Payable

Trade and property tax receivables are shown net of an allowance for uncollectibility.

The City believes that sufficient detail of receivable and payable balances are provided in the financial statements to avoid the obscuring of significant components by aggregation.

d. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

CITY OF LAVON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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e. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund type financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical, if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|--|-----------------------------------|
| Buildings, structures and improvements | 5-40 years |
| Equipment, including vehicles | 5-10 years |
| Infrastructure | 20-40 years |

f. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time). All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

g. Long-term Obligations

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

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

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year-end are deferred and will be recognized in the subsequent fiscal year-end. The other deferred outflow is the difference between projected and actual investment earnings that will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of a net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three items that qualify in this category. Two of these items arise only under a modified accrual basis of accounting. Accordingly, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental fund reports unavailable revenue from property tax and proprietary funds report a note receivable. The remaining items recorded as a deferred inflow of resources is recorded in the government-wide Statement of Net Position and fund level financial statements for the Wastewater Utility Fund's Statement of Net Position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and will be amortized over a period of years determined by the Plan actuary. The differences will be amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

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

i. Net Position Flow Assumption

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

j. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by laws through constitutional provisions or enabling legislation that stipulates that amounts can only be spent for specific purposes.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by a resolution of the City Council and remains binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by the City's intent to be used for specific purposes. Assignment of fund balance is much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used.
- *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City considers an unassigned fund balance of 25% of expenditures should be maintained. The City considers an unassigned fund balance of less than 5% of expenditures to be cause for concern and a plan to adjust budget resources in subsequent fiscal years will be done to restore the balance.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Compliance with the provisions of the policy shall be reviewed as part of the annual operating budget adoption process and subsequent review will be included in the annual audit and financial statement preparation procedures. The City is in compliance with the policy at the end of the current fiscal period.

k. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider a restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

I. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1, immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The City's property tax rate for the current fiscal year is \$0.430000 per \$100 assessed value.

m. Comparative Data/Reclassification

Comparative total data for the current year to budget for the General Fund have been presented in the basic financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

n. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management estimates.

p. Program Revenues

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

q. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None | N/A |

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> |
|------------------|-----------------------|
| None | N/A |

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

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the fifteenth day of each August, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget for the General Fund is legally adopted on a basis consistent with modified accrual basis. The majority of the City's capital projects are budgeted on an annual basis.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Council is the only body that can change the budgeted amounts from one line item to another.

C. CASH AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of both a depository contract and investment policy. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC").

Cash Deposits

At September 30, 2023, the carrying amount of the City's deposits was \$25,035,000 and the bank balance was \$25,247,922. The City's cash deposits at September 30, 2023 and during the year ended September 30, 2023 were entirely covered by FDIC or by pledged collateral held in the City's name. Cash and cash equivalents as of September 30, 2023 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government

| | |
|---|-----------------------------|
| Cash and cash equivalents | \$ 13,700,485 |
| Restricted assets-cash and cash equivalents | 10,821,910 |
| Cash held in a fiduciary capacity | 512,605 |
| Total Cash and Cash Equivalents | <u>\$ 25,035,000</u> |

Governmental - Restricted Cash

| | |
|------------------------------|-----------------------------|
| Court use | 72,122 |
| Police Use | 3,983 |
| Debt Service | 933,415 |
| Covid 19 Assistance | 897,724 |
| Capital Projects | 8,276,721 |
| Other | 637,945 |
| Total Restricted Cash | <u>\$ 10,821,910</u> |

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by national recognized agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is 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 its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies.

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

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

D. RECEIVABLES

Receivables as of year end for the City's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

| | Governmental | Proprietary | Total |
|-----------------------------------|---------------------|--------------------|-------------------|
| Receivables: | | | |
| Taxes | \$ 216,537 | \$ - | \$ 216,537 |
| Fees and Charges | 175,918 | 109,060 | 284,978 |
| Other | - | - | - |
| Gross Receivables | 392,455 | 109,060 | 501,515 |
| Less: allowance for uncollectible | (101,716) | (10,906) | (112,622) |
| Net Total Receivables | \$ 290,739 | \$ 98,154 | \$ 388,893 |

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

E. CAPITAL ASSETS

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

| | Beginning Balances | Transfers | Additions | Decreases | Ending Balances |
|---|-------------------------------|--------------------------|----------------------------|----------------------------|-----------------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 1,805,756 | \$ - | \$ 273,479 | \$ - | \$ 2,079,235 |
| Construction in Progress | 524,940 | (524,940) | - | - | - |
| Total capital assets, not being depreciated | <u>2,330,696</u> | <u>(524,940)</u> | <u>273,479</u> | <u>-</u> | <u>2,079,235</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings & Improvements | 998,885 | - | 479,692 | - | 1,478,577 |
| Infrastructure | 5,262,937 | 524,940 | 3,624,080 | - | 9,411,957 |
| Machinery & Equipment | 2,821,502 | - | 920,916 | - | 3,742,418 |
| Total capital assets being depreciated | <u>9,083,324</u> | <u>524,940</u> | <u>5,024,688</u> | <u>-</u> | <u>14,632,952</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings & Improvements | (598,005) | - | (49,367) | - | (647,372) |
| Infrastructure | (1,600,217) | - | (178,194) | - | (1,778,411) |
| Machinery & Equipment | (1,118,273) | - | (215,369) | - | (1,333,642) |
| Total accumulated depreciation | <u>(3,316,495)</u> | <u>-</u> | <u>(442,930)</u> | <u>-</u> | <u>(3,759,425)</u> |
| Total capital assets, being depreciated, net | <u>5,766,829</u> | <u>524,940</u> | <u>4,581,758</u> | <u>-</u> | <u>10,873,527</u> |
| Governmental activities capital assets, net | <u>\$ 8,097,525</u> | <u>\$ -</u> | <u>\$ 4,855,237</u> | <u>\$ -</u> | <u>\$ 12,952,762</u> |
| Business-type Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Construction in Progress | \$ 443,575 | \$ - | \$ - | \$ (443,575) | \$ - |
| Total capital assets, not being depreciated | <u>443,575</u> | <u>-</u> | <u>-</u> | <u>(443,575)</u> | <u>-</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 5,235,743 | - | 1,865,197 | - | 7,100,940 |
| Machinery & Equipment | 85,330 | - | - | - | 85,330 |
| Total capital assets being depreciated | <u>5,321,073</u> | <u>-</u> | <u>1,865,197</u> | <u>-</u> | <u>7,186,270</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (1,146,626) | - | (194,290) | - | (1,340,916) |
| Machinery & Equipment | (64,503) | - | (6,876) | - | (71,379) |
| Total accumulated depreciation | <u>(1,211,129)</u> | <u>-</u> | <u>(201,166)</u> | <u>-</u> | <u>(1,412,295)</u> |
| Total capital assets, being depreciated, net | <u>4,109,944</u> | <u>-</u> | <u>1,664,031</u> | <u>-</u> | <u>5,773,975</u> |
| Business-type activities capital assets, net | <u>\$ 4,553,519</u> | <u>\$ -</u> | <u>\$ 1,664,031</u> | <u>\$ (443,575)</u> | <u>\$ 5,773,975</u> |
| Depreciation expense was charged to functions/programs of the primary government as follows: | | | | | |
| Governmental activities: | | | | | |
| General Government | | \$ 38,556 | | | |
| Public Safety | | 211,904 | | | |
| Public Works | | 189,851 | | | |
| Parks and Recreation | | 2,619 | | | |
| Total depreciation expense - governmental activities | | <u>\$ 442,930</u> | | | |
| Business-type activities: | | | | | |
| Wastewater services | | <u>\$ 201,166</u> | | | |

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

F. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2023, is as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|------------------------------------|----------------------|-------------|---------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| Capital Leases Payable | \$ 44,499 | \$ - | \$ (44,499) | \$ - | \$ - |
| Notes Payable | - | - | - | - | - |
| Bonds Payable | 12,400,000 | - | (105,000) | 12,295,000 | 105,000 |
| Bond Premium | 2,083,418 | - | (115,745) | 1,967,673 | - |
| Governmental activity | | | | | |
| Total long-term liabilities | \$ 14,527,917 | \$ - | \$ (265,244) | \$ 14,262,673 | \$ 105,000 |
| | | | | | |
| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
| Business-type Activities | | | | | |
| Bonds Payable | 1,440,000 | - | (470,000) | 970,000 | 480,000 |
| Bond Premium | 64,380 | - | (21,460) | 42,920 | - |
| Business-type activity | | | | | |
| Total long-term liabilities | \$ 1,504,380 | \$ - | \$ (491,460) | \$ 1,012,920 | \$ 480,000 |

Changes in Governmental Long-term Debt

Capital Leases:

| Description | Interest Rate Payable | Amounts Issue | Amounts Outstanding September 30, 2022 | Issued | Retired | Amounts Outstanding September 30, 2023 | Due Within One Year |
|--|-----------------------------|-------------------|---|-------------|--------------------|---|------------------------|
| Community FNB | 3.56% | 199,000 | 21,730 | - | (21,730) | - | - |
| Community 1st National Bank | 3.96% | 65,737 | 22,769 | - | (22,769) | - | - |
| Total Capital Lease Obligations | | \$ 264,737 | \$ 44,499 | \$ - | \$ (44,499) | \$ - | \$ - |

Bonds Payable:

| Description | Interest Rate Payable | Amounts Issue | Amounts Outstanding September 30, 2022 | Issued | Retired | Amounts Outstanding September 30, 2023 | Due Within One Year |
|--|-----------------------------|----------------------|---|-------------|---------------------|---|------------------------|
| Series 2020 | 2.00% to 4.00% | \$ 12,595,000 | \$ 12,400,000 | \$ - | \$ (105,000) | \$ 12,295,000 | \$ 105,000 |
| Series 2020 Bond Premium | | 2,314,908 | 2,083,418 | - | (115,745) | 1,967,673 | - |
| Total Bonds Payable Obligations | | \$ 14,909,908 | \$ 14,483,418 | \$ - | \$ (220,745) | \$ 14,262,673 | \$ 105,000 |

H. LONG-TERM OBLIGATIONS (continued)

Debt service requirements are as follows:

| Year Ending September 30: | Principal | Interest | Total Requirements |
|---------------------------|----------------------|---------------------|-----------------------|
| 2024 | 105,000 | 486,450 | 591,450 |
| 2025 | 110,000 | 484,300 | 594,300 |
| 2026 | 590,000 | 471,400 | 1,061,400 |
| 2027 | 615,000 | 447,300 | 1,062,300 |
| 2028 | 635,000 | 422,300 | 1,057,300 |
| 2029 to 2033 | 3,605,000 | 1,699,100 | 5,304,100 |
| 2034 to 2038 | 4,470,000 | 899,600 | 5,369,600 |
| 2039 to 2040 | 2,165,000 | 87,500 | 2,252,500 |
| Totals | \$ 12,295,000 | \$ 4,997,950 | \$ 17,292,950 |

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

Capital Leases

The City has the following lease agreements:

The City incurred a capital lease payable with Community First National Bank in the amount of \$199,000 for the purchase of a pumper truck for the fire department. This lease was paid in full in FY2023.

The City incurred a capital lease payable with Community First National Bank in the amount of \$65,737 for the purchase of two police vehicles for the police department. This lease was paid in full in FY2023.

Bonds Payable

The City has the following Bonds Payable:

The City incurred bonded debt totaling \$12,595,000 for the purpose of improving city infrastructure.

Changes in Business-type Long-term Debt

| Description | Interest Rate Payable | Amounts Outstanding September 30 | | Amounts Outstanding September 30, 2023 | | Due Within One Year |
|------------------------------------|-----------------------|----------------------------------|---------------------|--|---------------------|---------------------|
| | | Issued | 2022 | Issued | Retired | |
| Series 2020 Bonds | 2.00% | 2,300,000 | 1,440,000 | - | (470,000) | 480,000 |
| Series 2020 Bond Premium | | 85,841 | 64,380 | - | (21,460) | - |
| Total Long Term Obligations | | \$ 2,385,841 | \$ 1,504,380 | \$ - | \$ (491,460) | \$ 480,000 |

Debt service requirements are as follows:

| Year Ending September 30: | Total Requirements | | |
|---------------------------|--------------------|------------------|-------------------|
| | Principal | Interest | |
| 2024 | 480,000 | 14,600 | 494,600 |
| 2025 | 490,000 | 4,900 | 494,900 |
| Totals | \$ 970,000 | \$ 19,500 | \$ 989,500 |

The City incurred Series 2020 Refunding Bonds for the purpose of refunding the 2018 Tax Notes.

I. PENSION PLAN

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.org.

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

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, 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 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 December 31, 2022, the valuation and measurement date, the following employees were covered by the benefit terms:

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

| | |
|--|-------------------|
| Number of: | Plan Year 2022 |
| Inactive employees or beneficiaries currently receiving benefits | 8 |
| Inactive employees entitled to but not yet receiving benefits | 16 |
| Active employees | 29 |
| Total | 53 |

3. Contributions

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

4. 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 NPL 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 | 2.50% |
| Overall payroll growth | 3.50% to 11.50% including inflation |
| Investment rate of return | 6.75% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries are based on the PUB(10) mortality tables with 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 employees, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a four-year set-forward for males and a three-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. Post-retirement mortality is based on 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.

Rate of Return

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 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, the actuary 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 2021 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|------------------------------|--|
| Global equity | 35% | 7.70% |
| Core fixed income | 6% | 4.90% |
| Non-core fixed Income | 20% | 8.70% |
| Other Public and Private Markets | 12% | 8.10% |
| Real Estate | 12% | 5.80% |
| Hedge Funds | 5% | 6.90% |
| Private equity | 10% | 11.80% |
| Total | 100% | |

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

Discount Rate

The discount rate used to measure the TPL 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 projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was periods of projected benefit payments to determine the TPL.

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|-----------------------------------|--|---------------------------------------|
| Balance at 12/31/2021 | \$ 2,948,993 | \$ 1,958,901 | \$ 990,092 |
| Changes for the year: | | | |
| Service cost | 292,740 | - | 292,740 |
| Interest | 206,651 | - | 206,651 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | 25,092 | - | 25,092 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 280,218 | (280,218) |
| Contributions - employee | - | 110,946 | (110,946) |
| Net investment income | - | (143,428) | 143,428 |
| Benefit payments, including refunds of employee contributions | (67,739) | (67,739) | - |
| Administrative expense | - | (1,237) | 1,237 |
| Other changes | - | 1,477 | (1,477) |
| Net changes | 456,744 | 180,237 | 276,507 |
| Balance at 12/31/2022 | <u>\$ 3,405,737</u> | <u>\$ 2,139,138</u> | <u>\$ 1,266,599</u> |

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 5.75% | Current Single Rate Assumption 6.75 | 1% Increase 7.75% |
|----------------------|--|----------------------|
| <u>\$ 1,784,626</u> | <u>\$ 1,266,599</u> | <u>\$ 844,281</u> |

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

For the year ended September 30, 2022, the City recognized a pension expense of \$316,932.

At September 30, 2022, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|-------------------------------------|------------------------------------|
| Difference between expected and actual economic experience | \$ 61,874 | \$ 374 |
| Changes in actuarial assumptions | 8 | - |
| Difference between projected and actual investment earnings | 220,523 | 84,924 |
| Contributions subsequent to the measurement date of December 31, 2022 | 306,831 | - |
| Total | <u>\$ 589,236</u> | <u>\$ 85,298</u> |

\$306,831 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:

December 31

| | |
|--------------|--------------------------|
| 2023 | \$ 42,089 |
| 2024 | 55,804 |
| 2025 | 44,084 |
| 2026 | 55,130 |
| 2027 | - |
| Total | <u>\$ 197,107</u> |

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

6. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired 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.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

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

Total OPEB Liability:

The City of Lavon's total OPEB liability of \$42,263 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

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 11.5% including inflation |
| Discount rate* | 4.05% |

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

Mortality rates - service retirees:

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables are utilized. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

Mortality rates - disabled retirees:

For calculating the OPEB liability and the OPEB contribution rates, the 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% 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 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.

Membership

| | |
|--|-----------|
| Number of: | |
| -Inactive employees currently receiving benefits | 4 |
| -Inactive employees entitled to but not yet receiving benefits | 4 |
| -Active employees | 29 |
| Total | 37 |

Changes in the Total OPEB Liability:

| | |
|--|------------------|
| Total OPEB Liability - beginning of year | \$ 61,344 |
| Changes for the year: | |
| Service costs | 7,132 |
| Interest on total OPEB liability | 1,190 |
| Changes in benefit terms | - |
| Differences between expected and actual experience | (2,291) |
| Changes in assumptions or other inputs | (24,637) |
| Benefit payments | (475) |
| Total OPEB Liability - end of year | \$ 42,263 |

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

The following presents the Total OPEB Liability of the City of Lavon, Texas, 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%) | Current Discount (4.05%) | 1% Increase (5.05%) |
|----------------------|--------------------------------|---|--------------------------------|
| Total OPEB Liability | \$ 51,535 | \$ 42,263 | \$ 35,127 |

Deferred (Inflows)/Outflows of Resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 1,188 | \$ 3,644 |
| Changes in assumptions and other inputs | 9,158 | 21,207 |
| Contributions made subsequent to measurement date | 4,824 | - |
| Total | \$ 15,170 | \$ 24,851 |

Amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

| | Net Deferred Outflows (Inflows) of Resources |
|--------------|---|
| 2023 | \$ (2,302) |
| 2024 | (2,322) |
| 2025 | (2,377) |
| 2026 | (3,287) |
| 2027 | (3,892) |
| Thereafter | (325) |
| Total | \$ (14,505) |

J. HEALTH CARE COVERAGE

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan with TML Intergovernmental Employee Benefits Pool-United Health Care Choice Plan Plus ("Plan"). The City contributed approximately \$800 per month per employee and \$0 of the cost for dependent's. Employees, at their option, authorized payroll withholdings to pay contributions for dependents coverage. All contributions were paid to TML-IEBP. The Plan was authorized by article 3.51-2, Texas Insurance Code and is documented by contractual agreement.

K. INSURANCE COVERAGE

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League Intergovernmental Risk Pool, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregated loss. According to the latest actuarial opinion dated October 1, 2020, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**CITY OF LAVON, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

L. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML-IRP"). TML-IRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML-IRP for its above insurance coverage. The agreement for the formation of TML-IRP provides that TML-IRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

M. WASTEWATER DISPOSAL

The City contracts the operation of the wastewater treatment plant from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The City provides for the payment of its contractual obligations with the District from revenues generated by the Wastewater Utility Fund.

N. SPECIAL ASSESSMENT DEBT

Total bonds related to special assessment and special tax districts total \$68,536,000, with a current unpaid balance of \$66,810,000 as of September 30, 2023. The City acts as an agent for the property owners. The City utilizes Collin County for collecting special assessments on behalf of the City, who forwards the collections to bondholders, and is responsible for initiating foreclosing procedures, when appropriate. The City not liable for the repayment of the special district bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

O. PRIOR PERIOD ADJUSTMENT

A prior period adjustment totaling \$438,170 was recorded to treat unexpended American Rescue Plan Act funding received during the 2021 fiscal year and recorded as grant income, as deferred grant proceeds.

P. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. It is the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

Q. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2023 up through March 13, 2024, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAVON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**SCHEDULE OF CONTRIBUTIONS
LAST FIVE FISCAL YEARS (UNAUDITED)**

| | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|--|--------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|
| Actuarially determined contributions | \$ 346,006 | \$ 101,393 | \$ 86,335 | \$ 62,602 | \$ 46,293 | \$ 41,376 | \$ 34,905 | \$ 31,348 | \$ 26,916 |
| Contributions in relation to the actuarially determined contribution | \$ 346,006 | \$ 101,393 | \$ 86,335 | \$ 62,602 | \$ 46,293 | \$ 41,376 | \$ 34,905 | \$ 31,348 | \$ 26,916 |
| Contributions deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 2,190,682 | \$ 1,367,176 | \$ 1,217,546 | \$ 1,005,345 | \$ 863,063 | \$ 849,615 | \$ 849,615 | \$ 716,730 | \$ 643,698 |
| Contributions as a percentage of covered employee payroll | 15.79% | 7.42% | 7.09% | 6.23% | 5.36% | 4.87% | 4.11% | 4.37% | 4.18% |

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 21 years (lowest amortization ladder) |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.5% to 11.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Notes: There were no benefit changes during the year.

**CITY OF LAVON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

| | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 292,740 | \$ 220,819 | \$ 149,981 | \$ 134,084 | \$ 107,824 | \$ 87,510 | \$ 73,107 | \$ 63,790 |
| Interest (on the Total Pension Liability) | 206,651 | 176,336 | 99,600 | 87,096 | 73,837 | 64,079 | 54,755 | 48,000 |
| Changes of benefit terms | - | 858,484 | - | 13,437 | 10,765 | - | - | - |
| Difference between expected and actual experience | 25,092 | 67,405 | 28,254 | (18,974) | 841 | (18,993) | 16,408 | (6,720) |
| Change of assumptions | - | - | - | 436 | - | - | - | 26,056 |
| Benefit payments, including refunds of employee contributions | (67,739) | (35,080) | (34,750) | (15,932) | (9,362) | (8,523) | (18,178) | (2,425) |
| Net Change in Total Pension Liability | 456,744 | 1,287,964 | 243,085 | 200,147 | 183,905 | 124,073 | 126,092 | 128,701 |
| Total Pension Liability - Beginning | 2,948,993 | 1,661,029 | 1,417,944 | 1,217,797 | 1,033,892 | 909,819 | 783,727 | 655,026 |
| Total Pension Liability - Ending (a) | \$ 3,405,737 | \$ 2,948,993 | \$ 1,661,029 | \$ 1,417,944 | \$ 1,217,797 | \$ 1,033,892 | \$ 909,819 | \$ 783,727 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions - employers | \$ 280,218 | \$ 87,845 | \$ 84,056 | \$ 60,627 | \$ 49,957 | \$ 45,199 | \$ 33,642 | \$ 28,967 |
| Contributions - employees | 110,946 | 84,236 | 76,298 | 56,936 | 44,445 | 42,481 | 35,837 | 32,185 |
| Net investment income | (143,428) | 210,589 | 104,744 | 171,459 | (31,605) | 118,796 | 51,019 | 1,033 |
| Benefit payments, including refunds of employee contributions | (67,739) | (35,080) | (34,750) | (15,932) | (9,362) | (8,523) | (18,178) | (2,425) |
| Administrative expense | (1,237) | (973) | (679) | (970) | (612) | (618) | (579) | (629) |
| Other | 1,477 | 8 | (27) | (31) | (32) | (31) | (31) | (31) |
| Net Change in Plan Fiduciary Net Position | 180,237 | 346,625 | 229,642 | 272,089 | 52,791 | 197,304 | 101,710 | 59,100 |
| Plan Fiduciary Net Position - Beginning | 1,958,901 | 1,612,276 | 1,382,634 | 1,110,545 | 1,057,754 | 860,450 | 758,740 | 699,640 |
| Plan Fiduciary Net Position - Ending (b) | \$ 2,139,138 | \$ 1,958,901 | \$ 1,612,276 | \$ 1,382,634 | \$ 1,110,545 | \$ 1,057,754 | \$ 860,450 | \$ 758,740 |
| Net Pension Liability (Asset) - Ending (a)-(b) | \$ 1,266,599 | \$ 990,092 | \$ 48,753 | \$ 35,310 | \$ 107,252 | \$ (23,862) | \$ 49,369 | \$ 24,987 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 62.81% | 66.43% | 97.06% | 97.51% | 91.19% | 102.31% | 94.57% | 96.81% |
| Covered Employee Payroll | \$ 1,584,949 | \$ 1,203,372 | \$ 1,089,975 | \$ 948,929 | \$ 888,907 | \$ 849,615 | \$ 716,730 | \$ 643,698 |
| Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll | 79.91% | 82.28% | 4.47% | 3.72% | 12.07% | -2.81% | 6.89% | 3.88% |

Note to Schedule:

N/A

CITY OF LAVON, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | <u>12/31/2022</u> | <u>12/31/2021</u> | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 7,132 | \$ 4,813 | \$ 4,360 | \$ 2,847 | \$ 2,933 | \$ 2,464 |
| Interest (on the Total OPEB liability) | 1,190 | 1,084 | 1,156 | 1,180 | 1,030 | 937 |
| Changes of benefit terms | - | - | - | - | - | - |
| Difference between expected and actual experience | (2,291) | 1,660 | (882) | (2,849) | (498) | - |
| Change of assumptions | (24,637) | 2,129 | 7,445 | 8,417 | (2,628) | 2,777 |
| Benefit payments, including refunds of employee contributions | (475) | (241) | (109) | (95) | (89) | (85) |
| Net Change in Total Pension Liability | <u>(19,081)</u> | <u>9,445</u> | <u>11,970</u> | <u>9,500</u> | <u>748</u> | <u>6,093</u> |
| Total OPEB Liability - Beginning | <u>61,344</u> | <u>51,899</u> | <u>39,929</u> | <u>30,429</u> | <u>29,681</u> | <u>23,588</u> |
| Total OPEB Liability - Ending | <u><u>\$ 42,263</u></u> | <u><u>\$ 61,344</u></u> | <u><u>\$ 51,899</u></u> | <u><u>\$ 39,929</u></u> | <u><u>\$ 30,429</u></u> | <u><u>\$ 29,681</u></u> |
| | | | | | | |
| Covered employee payroll | \$ 1,584,949 | \$1,203,372 | \$ 1,089,975 | \$ 948,929 | \$888,907 | \$ 849,615 |
| | | | | | | |
| Total OPEB Liability as a percentage of covered employee payroll | 2.67% | 5.10% | 4.76% | 4.21% | 3.42% | 3.49% |

See accompanying notes to these financial statements for more detail.

Note: Years will continue to be added until there are 10 years for comparison.

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

| | Budget | | | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Adopted | Amended | Actual | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | 1,830,233 | 1,830,233 | \$ 1,893,148 | \$ 62,915 |
| Sales | 500,000 | 500,000 | 1,033,859 | 533,859 |
| Franchise | 185,000 | 185,000 | 227,843 | 42,843 |
| Intergovernmental revenue - state and local | - | - | 585,848 | 585,848 |
| Licenses and permits | 1,671,000 | 1,671,000 | 1,995,118 | 324,118 |
| Fines and forfeitures | 81,000 | 81,000 | 193,492 | 112,492 |
| Investment income | - | - | 599,933 | 599,933 |
| Miscellaneous | 116,000 | 116,000 | 65,958 | (50,042) |
| Total revenues | 4,383,233 | 4,383,233 | 6,596,259 | 2,213,026 |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| General government | 895,131 | 895,131 | 842,480 | 52,651 |
| Public works | 1,249,757 | 1,249,757 | 2,261,690 | (1,011,933) |
| Municipal court | 106,620 | 106,620 | 97,712 | 8,908 |
| Public safety | 3,241,110 | 3,241,110 | 1,799,727 | 1,441,383 |
| Debt service: | | | | - |
| Principal retirement | - | - | 149,499 | (149,499) |
| Interest | - | - | 490,206 | (490,206) |
| Capital outlays: | | | | - |
| General government | 5,000 | 5,000 | 241,676 | (236,676) |
| Public safety | 218,000 | 218,000 | 1,189,816 | (971,816) |
| Public works | 170,000 | 170,000 | 3,866,676 | (3,696,676) |
| Total expenditures | 5,885,618 | 5,885,618 | 10,949,916 | (5,064,298) |
| Excess of revenues over expenditures | (1,502,385) | (1,502,385) | (4,353,657) | (2,851,272) |
| Other financing sources (uses) | | | | |
| Transfers | 752,000 | 752,000 | (1,483,571) | (2,235,571) |
| Use of prior year fund balance | 2,318,227 | 2,318,227 | | |
| Sale of assets | - | - | 190 | 190 |
| Total other financing sources (uses) | 3,070,227 | 3,070,227 | (1,483,381) | (2,235,381) |
| Net change in fund balances | 1,567,842 | 1,567,842 | (5,837,038) | (5,086,653) |
| Fund balance, October 1 | 20,369,878 | 20,369,878 | 20,369,878 | |
| Fund balance, September 30 | \$ 21,937,720 | \$ 21,937,720 | \$ 14,532,840 | |

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



OTHER SUPPLEMENTARY INFORMATION

**CITY OF LAVON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

| | Municipal Court Tech Fund | Police TCLEOSE Fund | Police Seized Asset Fund | Municipal Court Security Fund | Hotel Funds | Fiduciary Funds | Court Funds | Total Other Governmental Funds |
|--|--|------------------------------------|---|--|------------------------|----------------------------|------------------------|---|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cash and cash equivalents - restricted | 5,863 | 1,885 | 39,598 | 21,154 | 742 | 512,605 | 11,625 | 593,472 |
| Total assets | <u>5,863</u> | <u>1,885</u> | <u>39,598</u> | <u>21,154</u> | <u>742</u> | <u>512,605</u> | <u>11,625</u> | <u>593,472</u> |
| LIABILITIES AND FUND BALANCE | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | 512,605 | - | 512,605 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>512,605</u> | <u>-</u> | <u>512,605</u> |
| Fund Balances: | | | | | | | | |
| Restricted for: | | | | | | | | |
| Court | 5,862 | - | - | 21,154 | - | - | 11,626 | 38,642 |
| Police | - | - | 39,598 | - | - | - | - | 39,598 |
| Public Works | - | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - |
| Motel | - | - | - | - | 742 | - | - | 742 |
| Designated for: | | | | | | | | |
| Police | - | 1,885 | - | - | - | - | - | 1,885 |
| Total fund balance | <u>5,862</u> | <u>1,885</u> | <u>39,598</u> | <u>21,154</u> | <u>742</u> | <u>-</u> | <u>11,626</u> | <u>80,867</u> |
| Total liabilities and fund balances | <u>\$ 5,862</u> | <u>\$ 1,885</u> | <u>\$ 39,598</u> | <u>\$ 21,154</u> | <u>\$ 742</u> | <u>\$ 512,605</u> | <u>\$ 11,626</u> | <u>\$ 593,472</u> |

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

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

| | Municipal Court Tech Fund | Police TCLEOSE Fund | Police Seized Asset Fund | Municipal Court Security Fund | Hotel Funds | Fiduciary Funds | Court Funds | Total Other Governmental Funds |
|---|--|------------------------------------|---|--|------------------------|----------------------------|------------------------|---|
| REVENUES | | | | | | | | |
| Fines and forfeitures | \$ 4,005 | \$ - | \$ 37,500 | \$ 4,258 | \$ - | \$ - | \$ 4,979 | \$ 50,742 |
| Property taxes | - | - | - | - | - | - | - | - |
| Sales taxes | - | - | - | - | - | - | - | - |
| Intergovernmental revenue - state and local | - | - | - | - | 742 | - | - | 742 |
| Total Revenues | <u>4,005</u> | <u>-</u> | <u>37,500</u> | <u>4,258</u> | <u>742</u> | <u>-</u> | <u>4,979</u> | <u>51,484</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Court | 7,414 | - | - | 337 | - | - | - | 7,751 |
| Police | - | 1,604 | - | - | - | - | - | 1,604 |
| Total Expenditures | <u>7,414</u> | <u>1,604</u> | <u>-</u> | <u>337</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,355</u> |
| Excess of revenues over expenditures | (3,409) | (1,604) | 37,500 | 3,921 | 742 | - | 4,979 | 42,129 |
| Other Financing Sources (uses) | | | | | | | | |
| Transfers | - | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (3,409) | (1,604) | 37,500 | 3,921 | 742 | - | 4,979 | 42,129 |
| Fund Balances, October 1 | 9,271 | 3,489 | 2,098 | 17,233 | - | - | 6,647 | 38,738 |
| Prior Period Adjustments | \$ - | \$ - | \$ - | - | - | - | - | - |
| Fund Balances, September 30 | <u>\$ 5,862</u> | <u>\$ 1,885</u> | <u>\$ 39,598</u> | <u>\$ 21,154</u> | <u>\$ 742</u> | <u>\$ -</u> | <u>\$ 11,626</u> | <u>\$ 80,867</u> |

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

**CITY OF LAVON, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2023**

| | <u>EDC</u> |
|---|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 566,602 |
| Receivable-sales tax | 96,903 |
| Total assets | <u>663,505</u> |
| LIABILITIES | |
| Total liabilities | <u>-</u> |
| FUND BALANCE | |
| Fund Balance: | |
| Unassigned | 663,505 |
| Total fund balance | <u>663,505</u> |
| Total liabilities and fund balance | <u>\$ 663,505</u> |

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

CITY OF LAVON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2023

| | |
|---|------------|
| Total fund balance - governmental funds balance sheet | \$ 663,505 |
|---|------------|

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

| | |
|---|---------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 257,519 |
|---|---------|

| | |
|---|-----------|
| Long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds. | (339,244) |
|---|-----------|

| | |
|---|-------------------|
| Net position of governmental activities - statement of net position | <u>\$ 581,780</u> |
|---|-------------------|

**CITY OF LAVON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | EDC |
|-----------------------------------|--------------------------|
| REVENUES | |
| Sales tax | \$ 344,021 |
| Interest income | 17,183 |
| Total revenues | <u>364,113</u> |
| EXPENDITURES | |
| Current operating: | |
| Contractual services | 93,765 |
| Office expenses | 18,319 |
| Business projects | 21,140 |
| Debt service: | |
| Principal retirement | 14,448 |
| Interest expense | 10,031 |
| Total expenditures | <u>157,703</u> |
| Net change in fund balance | 206,410 |
| Fund balance, October 1 | 457,095 |
| Fund balance, September 30 | <u><u>\$ 663,505</u></u> |

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

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

| | |
|--|-------------------|
| Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds | \$ 206,410 |
|--|-------------------|

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

| | |
|---|----------|
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. | (14,307) |
|---|----------|

| | |
|--|--------|
| Current year long-term debt principal payments on contractual obligations are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. | 14,448 |
|--|--------|

| | |
|---|--------------------------|
| Change in net position - statement of activities | <u><u>\$ 206,551</u></u> |
|---|--------------------------|