



ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2024**



CITY OF POTEET
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

DENISE SANCHEZ

COUNCIL

NICHOLAS SANCHEZ

HENRY DOMINGUEZ

JEREMY FERNANDEZ

CANDACE PEREZ

CRYSTAL BAUTISTA

CITY ADMINISTRATOR

MELISSA POPHAM

CITY OF POTEET
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Poteet, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Poteet, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Poteet and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Poteet's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2025 on our consideration of City of Poteet's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Poteet's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

March 11, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Poteet’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2024. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

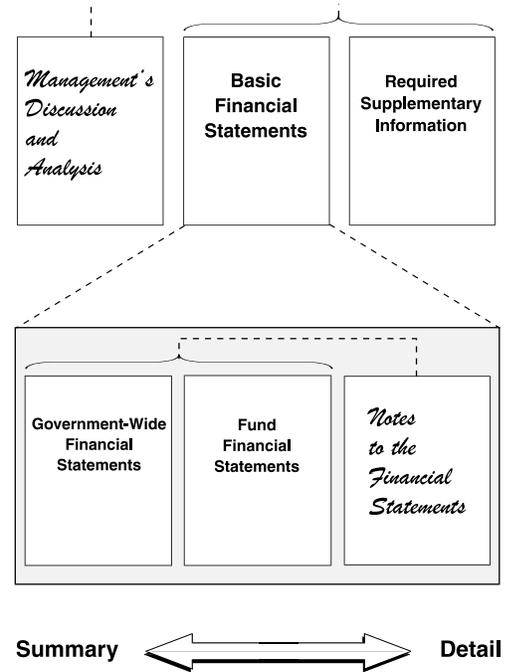
- The City’s total combined net position was \$5.7 million at September 30, 2024.
- During the year, the City’s governmental expenses (net of transfers from the utility fund) were \$456 thousand less than the \$3.9 million generated in general and program revenues for governmental activities. The total cost of the City’s governmental programs increased 7% from the prior year as the City is continuing to fill personnel vacancies. Revenues increased from utilization of the American Rescue Plan Grant and growth in the tax base.
- The general fund reported a fund balance this year of \$1.6 million, an increase of \$791 thousand.
- The general fund issued \$275 thousand in notes to finance police vehicles.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: utility services
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

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

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

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.
- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, fire, police, streets, and parks. Property and sales taxes finance most of these activities.

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City’s combined net position was \$5.7 million at September 30, 2024. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<i>Assets:</i>						
Current Assets	\$ 2,633,473	\$ 2,305,300	\$ 376,846	\$ 255,117	\$ 3,010,319	\$ 2,560,417
Other Assets	2,044,794	1,897,021	14,588,206	14,756,160	16,633,000	16,653,181
<i>Total Assets</i>	<u>4,678,267</u>	<u>4,202,321</u>	<u>14,965,052</u>	<u>15,011,277</u>	<u>19,643,319</u>	<u>19,213,598</u>
<i>Deferred Outflows of Resources:</i>	<u>67,954</u>	<u>102,176</u>	<u>24,162</u>	<u>64,030</u>	<u>92,116</u>	<u>166,206</u>
<i>Liabilities:</i>						
Current Liabilities	443,294	599,353	885,776	628,816	1,329,070	1,228,169
Long-Term Liabilities	1,788,122	1,634,407	10,941,281	11,300,391	12,729,403	12,934,798
<i>Total Liabilities</i>	<u>2,231,416</u>	<u>2,233,760</u>	<u>11,827,057</u>	<u>11,929,207</u>	<u>14,058,473</u>	<u>14,162,967</u>
<i>Deferred Inflows of Resources:</i>	<u>12,666</u>	<u>24,376</u>	<u>9,384</u>	<u>29,774</u>	<u>22,050</u>	<u>54,150</u>
<i>Net Position:</i>						
Net Investment in Capital Assets	(23,614)	51,050	2,794,838	2,886,634	2,771,224	2,937,684
Restricted	415,383	687,369	412,916	328,794	828,299	1,016,163
Unrestricted	2,110,370	1,307,942	(54,981)	(99,102)	2,055,389	1,208,840
<i>Total Net Position</i>	<u>\$ 2,502,139</u>	<u>\$ 2,046,361</u>	<u>\$ 3,152,773</u>	<u>\$ 3,116,326</u>	<u>\$ 5,654,912</u>	<u>\$ 5,162,687</u>

The unrestricted net position represents resources available to fund the programs of the City next year.

Governmental Activities

Table A-2 summarizes the changes in the City's net position for 2024 and 2023 fiscal years. The cost of all *governmental* activities this year was \$2.8 million before transfers. Taxpayers paid for 44% of these activities through property taxes. Transfers were made from debt service to the utility fund to assist in making bond payments.

Business-Type Activities

Charges for services revenue of the City's utility business-type activities increased 14% from new customers and increased rates. Costs increased 8% as personnel vacancies are being filled.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<i>Program Revenues:</i>						
Charges for Services	\$ 1,029,933	\$ 859,422	\$ 1,569,334	\$ 1,375,046	\$ 2,599,267	\$ 2,234,468
Operating Grants and Contributions	398,483	910	46,500	108,791	444,983	109,701
Capital Contributions	-	68,677	-	-	-	68,677
<i>General Revenues:</i>						
Taxes	2,082,896	1,681,961	-	-	2,082,896	1,681,961
Other	366,171	366,765	68,194	70,071	434,365	436,836
TOTAL REVENUES	3,877,483	2,977,735	1,684,028	1,553,908	5,561,511	4,531,643
<i>Program Expenses:</i>						
Sanitation	493,005	436,304	-	-	493,005	436,304
Administration	575,266	510,379	-	-	575,266	510,379
Court	111,210	95,198	-	-	111,210	95,198
Police	899,770	897,872	-	-	899,770	897,872
Fire	26,989	44,003	-	-	26,989	44,003
Streets	233,039	281,061	-	-	233,039	281,061
Animal Control	56,220	7,377	-	-	56,220	7,377
Parks & Recreation	243,639	209,624	-	-	243,639	209,624
Library	123,684	99,397	-	-	123,684	99,397
Interest	68,612	59,273	-	-	68,612	59,273
Utility	-	-	2,237,852	2,063,903	2,237,852	2,063,903
Transfers	590,271	(110,000)	(590,271)	110,000	-	-
TOTAL EXPENSES	3,421,705	2,530,488	1,647,581	2,173,903	5,069,286	4,704,391
Change in Net Position	455,778	447,247	36,447	(619,995)	492,225	(172,748)
Net Position at Beginning of Year	2,046,361	1,599,114	3,116,326	3,736,321	5,162,687	5,335,435
Net Position at End of Year	\$ 2,502,139	\$ 2,046,361	\$ 3,152,773	\$ 3,116,326	\$ 5,654,912	\$ 5,162,687

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2024, the City had invested \$29.7 million in a broad range of capital assets, including land, equipment, buildings, and infrastructure (streets and water/sewer system). The significant additions for 2024 included new water meters, park improvements and police vehicles. (See Table A-3.)

Table A-3
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 81,917	\$ 81,917	\$ 8,958	\$ 8,958	\$ 90,875	\$ 90,875
Buildings and Improvements	1,671,450	1,692,737	-	-	1,671,450	1,692,737
Vehicles and Equipment	1,401,453	1,147,926	435,389	210,465	1,836,842	1,358,391
Infrastructure	7,241,376	7,241,376	18,809,021	15,656,414	26,050,397	22,897,790
Construction in Progress	-	-	42,750	1,617,314	42,750	1,617,314
Totals at Historical Cost	10,396,196	10,163,956	19,296,118	17,493,151	29,692,314	27,657,107
Accumulated Depreciation	(8,538,065)	(8,410,207)	(6,315,615)	(5,973,456)	(14,853,680)	(14,383,663)
Net Capital Assets	<u>\$ 1,858,131</u>	<u>\$ 1,753,749</u>	<u>\$ 12,980,503</u>	<u>\$ 11,519,695</u>	<u>\$ 14,838,634</u>	<u>\$ 13,273,444</u>

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

Long Term Debt

As of September 30, 2024, the City had \$13.1 million in long term debt outstanding as shown in Table A-4. In 2024, the City issued \$275 thousand in notes to purchase police vehicles. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-4
City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Bonds	\$ 1,562,000	\$ 1,625,250	\$ 10,931,996	\$ 11,176,746	\$ 12,493,996	\$ 12,801,996
Premiums	44,522	49,449	229,049	255,920	273,571	305,369
Tax Notes	-	28,000	-	-	-	28,000
Notes Payable	275,223	-	82,975	108,066	358,198	108,066
Total Long-Term Debt	<u>\$ 1,881,745</u>	<u>\$ 1,702,699</u>	<u>\$ 11,244,020</u>	<u>\$ 11,540,732</u>	<u>\$ 13,125,765</u>	<u>\$ 13,243,431</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types increased \$832 thousand to \$3.8 million. The increase was the result of increased tax collections, utilization of the American Rescue Plan grant and support from recently approved development agreements. Governmental expenditures increased \$223 thousand as several vacancies were filled.

Budgetary Highlights

General fund revenues were \$556 thousand higher than the budget, primarily from stronger than expected sales tax collections and grants. Expenditures were over budget \$126 thousand primarily from grant funded purchases that were not included in the final budget. Fund balance increased \$796 thousand compared to budgeted increase in fund balance of \$390 thousand.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2024-2025 budget includes a slight decrease in property tax rates from \$.9481 per \$100 to \$.945801. However, valuation increases and new properties are expected to generate \$122 thousand more in tax revenue. General fund expenditures are expected to increase approximately 10% from the 2023-2024 spending levels, primarily to expand personnel related to the growth in the City. Utility rates will be increased approximately 2.5% in 2025 to ensure the revenue keeps up with increasing utility maintenance. No other changes to City services are expected.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830)-742-3574 or visit the City's website at www.poteettx.org.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF POTEET
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,795,681	\$ 102,706	\$ 1,898,387
Certificate of Deposit	116,908	-	116,908
Ad Valorem Taxes Receivable, Net	357,786	-	357,786
Other Receivables, Net	272,917	265,696	538,613
Prepaid Expenses	90,181	8,444	98,625
<i>Total Current Assets</i>	<u>2,633,473</u>	<u>376,846</u>	<u>3,010,319</u>
<i>Other Assets:</i>			
Restricted Cash - Debt Reserve	-	226,064	226,064
Restricted Cash - Unspent Bond Proceeds	-	1,194,787	1,194,787
Capital Assets, Net	1,858,131	12,980,503	14,838,634
Net Pension Asset	186,663	186,852	373,515
<i>Total Other Assets</i>	<u>2,044,794</u>	<u>14,588,206</u>	<u>16,633,000</u>
TOTAL ASSETS	<u>4,678,267</u>	<u>14,965,052</u>	<u>19,643,319</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	64,406	16,261	80,667
Deferred Other Post Employment Benefit Outflows	3,548	7,901	11,449
TOTAL DEFERRED OUTFLOWS	<u>\$ 67,954</u>	<u>\$ 24,162</u>	<u>\$ 92,116</u>

See accompanying notes to basic financial statements.

CITY OF POTEET
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2024

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 230,836	\$ 210,126	\$ 440,962
Accrued Wages	33,591	20,775	54,366
Accrued Interest	17,284	61,987	79,271
Accrued Compensated Absences	40,270	34,449	74,719
Customer Deposits	-	222,106	222,106
Current Maturities of Long-term Debt	121,313	336,333	457,646
<i>Total Current Liabilities</i>	<u>443,294</u>	<u>885,776</u>	<u>1,329,070</u>
<i>Long-term Liabilities:</i>			
Long-term Debt (Net of Current)	1,760,432	10,907,687	12,668,119
Total Other Post Employment Benefits Liability	27,690	33,594	61,284
<i>Total Long-term Liabilities</i>	<u>1,788,122</u>	<u>10,941,281</u>	<u>12,729,403</u>
TOTAL LIABILITIES	<u>2,231,416</u>	<u>11,827,057</u>	<u>14,058,473</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	249	1,236	1,485
Deferred Other Post Employment Benefits Inflows	12,417	8,148	20,565
TOTAL DEFERRED INFLOWS	<u>12,666</u>	<u>9,384</u>	<u>22,050</u>
NET POSITION			
Net Investment in Capital Assets	(23,614)	2,794,838	2,771,224
Restricted for:			
Court	8,407	-	8,407
Net Pension Asset	186,663	186,852	373,515
Debt Service	220,313	226,064	446,377
Unrestricted (Deficit)	2,110,370	(54,981)	2,055,389
TOTAL NET POSITION	<u>\$ 2,502,139</u>	<u>\$ 3,152,773</u>	<u>\$ 5,654,912</u>

See accompanying notes to basic financial statements.

CITY OF POTEET
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
Sanitation	\$ 493,005	\$ 653,443	\$ -	\$ -
Administration	575,266	2,764	-	-
Court	111,210	119,805	-	-
Police	899,770	142,838	389,441	-
Fire	26,989	2,900	-	-
Streets	233,039	82,017	-	-
Animal Control	56,220	-	-	-
Parks & Recreation	243,639	22,627	8,347	-
Library	123,684	3,539	695	-
Interest	68,612	-	-	-
<i>Total Governmental Activities</i>	2,831,434	1,029,933	398,483	-
<i>Business-Type Activities:</i>				
Utility Service	2,237,852	1,569,334	46,500	-
Total Primary Government	\$ 5,069,286	\$ 2,599,267	\$ 444,983	\$ -
General Revenues:				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
General Grants and Donations				
Interest Income				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net
Position

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 160,438		\$ 160,438
(572,502)		(572,502)
8,595		8,595
(367,491)		(367,491)
(24,089)		(24,089)
(151,022)		(151,022)
(56,220)		(56,220)
(212,665)		(212,665)
(119,450)		(119,450)
(68,612)		(68,612)
<u>(1,403,018)</u>		<u>(1,403,018)</u>
	<u>\$ (622,018)</u>	<u>(622,018)</u>
		<u>(2,025,036)</u>
1,252,898	-	1,252,898
112,586	-	112,586
717,412	-	717,412
344,636	-	344,636
2,063	46,920	48,983
19,472	21,274	40,746
<u>2,449,067</u>	<u>68,194</u>	<u>2,517,261</u>
<u>(590,271)</u>	<u>590,271</u>	<u>-</u>
455,778	36,447	492,225
<u>2,046,361</u>	<u>3,116,326</u>	<u>5,162,687</u>
<u>\$ 2,502,139</u>	<u>\$ 3,152,773</u>	<u>\$ 5,654,912</u>

CITY OF POTEET
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,399,412	\$ 396,269	\$ 1,795,681
Certificate of Deposit	116,908	-	116,908
Ad Valorem Taxes Receivable, Net	246,337	111,449	357,786
Other Receivables, Net	233,551	39,366	272,917
Prepaid Items	90,181	-	90,181
TOTAL ASSETS	\$ 2,086,389	\$ 547,084	\$ 2,633,473
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 189,187	\$ 41,649	\$ 230,836
Accrued Wages	33,591	-	33,591
<i>Total Liabilities</i>	222,778	41,649	264,427
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues - Property Taxes	240,790	108,940	349,730
<i>Fund Balances:</i>			
Nonspendable Prepaid Items	90,181	-	90,181
Restricted for:			
Court	-	8,407	8,407
Debt Service	-	128,657	128,657
Assigned for:			
Capital Improvements	-	259,431	259,431
Unassigned	1,532,640	-	1,532,640
<i>Total Fund Balances</i>	1,622,821	396,495	2,019,316
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,086,389	\$ 547,084	\$ 2,633,473

See accompanying notes to basic financial statements.

CITY OF POTEET
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 2,019,316

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. 1,858,131

Long-term liabilities, including bonds and capital lease payables are not due and payable in the current period and, therefore are not reported in the governmental funds. (1,881,745)

Net Pension Assets (and related deferred inflows and outflows of resources) do not consume (or create) current financial resources and are not reported in governmental funds.

Net Pension Asset	186,663	
Pension Related Deferred Outflows	64,406	
Pension Related Deferred Inflows	<u>(249)</u>	250,820

Total Other Post Employment Benefit (OPEB) Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.

Total OPEB Liability	(27,690)	
OPEB Related Deferred Outflows	3,548	
OPEB Related Deferred Inflows	<u>(12,417)</u>	(36,559)

Other liabilities are not due and payable in the current period, and therefore, not reported in the funds.

Accrued Interest	(17,284)	
Accrued Compensated Absences	<u>(40,270)</u>	(57,554)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. 349,730

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,502,139

See accompanying notes to basic financial statements.

CITY OF POTEET
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES			
Ad Valorem Taxes	\$ 826,431	\$ 365,814	\$ 1,192,245
Grants and Donations	742,773	-	742,773
Franchise Fees	112,586	-	112,586
Sales Taxes	717,412	-	717,412
Charges for Services	653,443	-	653,443
Fines and Forfeitures	177,206	6,695	183,901
Licenses, Permits, and Fees	78,676	-	78,676
Interest Income	2,062	-	2,062
Misc Income	51,716	82,018	133,734
TOTAL REVENUES	<u>3,362,305</u>	<u>454,527</u>	<u>3,816,832</u>
EXPENDITURES			
Current:			
Sanitation	493,005	-	493,005
Administration	476,813	-	476,813
Court	96,927	13,232	110,159
Police	840,871	-	840,871
Fire	26,989	-	26,989
Streets	68,153	-	68,153
Animal Control	56,220	-	56,220
Parks & Recreation	223,904	-	223,904
Library	110,933	-	110,933
Capital Outlay	419,209	66,466	485,675
Debt Service:			
Principal	-	91,250	91,250
Interest	-	61,676	61,676
Issuance Costs	4,806	-	4,806
TOTAL EXPENDITURES	<u>2,817,830</u>	<u>232,624</u>	<u>3,050,454</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	544,475	221,903	766,378
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	275,223	-	275,223
Transfer In	-	28,287	28,287
Transfer Out	(28,287)	(590,271)	(618,558)
TOTAL OTHER FINANCING	<u>246,936</u>	<u>(561,984)</u>	<u>(315,048)</u>
Net Change in Fund Balance	791,411	(340,081)	451,330
BEGINNING FUND BALANCE	831,410	736,576	1,567,986
ENDING FUND BALANCE	<u>\$ 1,622,821</u>	<u>\$ 396,495</u>	<u>\$ 2,019,316</u>

See accompanying notes to basic financial statements.

CITY OF POTEET
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, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 451,330

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	400,424	
Depreciation Expense	<u>(296,042)</u>	104,382

The issuance of long-term debt (e.g. bonds and capital leases) provide current financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report interest expense and compensated absences when they are due and payables, while the statement of activities recognizes these expenses when incurred.

Principal Payments on Long-term Debt	91,250	
Issuance of Notes Payable	(275,223)	
Amortization of Premiums	4,927	
Change in Compensated Absences	9,370	
Change in Accrued Interest	<u>(7,057)</u>	(176,733)

Governmental funds report required contributions to employee post employment benefits as expenditures. However, in the Statement of Activities the expense for the benefit is recorded based on the actuarially determined cost of the plan. This is the amount that contributions differed from the actuarially determined plan expense.

Pension Plan	16,622	
Other Postemployment Benefits	<u>(476)</u>	16,146

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 60,653

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 455,778

CITY OF POTEET
STATEMENT OF NET POSITION – PROPRIETARY UTILITY FUND
SEPTEMBER 30, 2024

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	102,706
Accounts Receivable, Net		251,346
Grant Receivable		14,350
Prepaid Expenses		8,444
<i>Total Current Assets</i>		376,846

Other Assets

Restricted Cash - Debt Reserve		226,064
Restricted Cash - Unspent Bond Proceeds		1,194,787
Capital Assets, Net		12,980,503
Net Pension Asset		186,852
<i>Total Other Assets</i>		14,588,206
TOTAL ASSETS		14,965,052

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Related Outflows		16,261
Deferred Other Post Employment Benefit Related Outflows		7,901
TOTAL DEFERRED OUTFLOWS		24,162

LIABILITIES

Current Liabilities:

Accounts Payable		210,126
Accrued Wages		20,775
Accrued Interest		61,987
Accrued Compensated Absences		34,449
Customer Deposits		222,106
Current Portion of Long-term Debt		336,333
<i>Total Current Liabilities:</i>		885,776

Noncurrent Liabilities:

Long-term Debt, Net of Current Portion		10,907,687
Total Other Post Employment Benefit Liability		33,594
<i>Total Noncurrent Liabilities:</i>		10,941,281
TOTAL LIABILITIES		11,827,057

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Related Inflows		1,236
Deferred Other Post Employment Benefit Inflows		8,148
TOTAL DEFERRED INFLOWS		9,384

NET POSITION:

Net Investment in Capital Assets		2,794,838
Restricted for Net Pension Asset		186,852
Restricted for Debt Reserve		226,064
Unrestricted (Deficit)		(54,981)
TOTAL NET POSITION		\$ 3,152,773

See accompanying notes to basic financial statements.

CITY OF POTEET
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

OPERATING REVENUES

Water Charges	\$ 1,036,797
Sewer Charges	402,909
Other Charges	129,628
TOTAL OPERATING REVENUES	1,569,334

OPERATING EXPENSES

<i>Administration:</i>	
Personnel	259,852
Services	35,378
Operations	55,645
<i>Water:</i>	
Personnel	379,076
Services	20,707
Operations and Maintenance	264,318
<i>Sewer:</i>	
Personnel	212,308
Services	8,657
Operations and Maintenance	114,899
Depreciation	499,723
TOTAL OPERATING EXPENSES	1,850,563

OPERATING INCOME (LOSS) (281,229)

NONOPERATING REVENUES (EXPENSES)

Grants	46,500
Other Revenues	21,274
Interest Income	46,920
Interest Expense	(387,289)
TOTAL NONOPERATING REVENUES (EXPENSES)	(272,595)

Transfers Out 590,271

CHANGE IN NET POSITION 36,447

BEGINNING NET POSITION	3,116,326
ENDING NET POSITION	\$ 3,152,773

See accompanying notes to basic financial statements.

CITY OF POTEET
STATEMENT OF CASH FLOWS – PROPRIETARY UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Cash Flows From Operating Activities:		
Cash Received From Customers	\$	1,547,681
Other Cash Receipts		21,274
Cash Paid to Employees for Services		(856,708)
Cash Paid to Suppliers for Goods and Services		(300,566)
Net Cash Provided (Used) by Operating Activities		<u>411,681</u>
 Cash Flows From Capital-Related Financing Activities:		
Transfers To Other Funds		590,271
Capital Grants Received		32,150
Principal Payments on Bonds and Notes		(269,841)
Interest Paid		(421,597)
Purchase of Capital Assets		(1,960,531)
Net Cash Provided (Used) by Capital-Related Financing Activities		<u>(2,029,548)</u>
 Cash Flows From Investing Activities:		
Interest Income		46,920
Net Cash Provided (Used) by Investing Activities		<u>46,920</u>
 Net Increase (Decrease) in Cash and Cash Equivalents		
		(1,570,947)
 Beginning Cash and Cash Equivalents		
Unrestricted	7,351	
Restricted	<u>3,087,153</u>	<u>3,094,504</u>
 Ending Cash and Cash Equivalents		
Unrestricted	102,706	
Restricted	<u>1,420,851</u>	<u>\$ 1,523,557</u>

See accompanying notes to basic financial statements.

CITY OF POTEET
STATEMENT OF CASH FLOWS - PROPRIETARY UTILITY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (281,229)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	499,723
Other Revenues	21,274
(Increase) Decrease in Operating Assets and Deferred Outflows:	
Accounts Receivable (net)	(26,423)
Prepaid Expenses	14,399
Net Pension Asset	(37,540)
Deferred Pension Outflows	39,745
Deferred Other Post Employment Benefit Outflows	123
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	184,639
Accrued Wages	4,632
Accrued Compensated Absences	3,864
Customer Deposits	4,770
Total Other Post Employment Benefits Liability	4,094
Deferred Pension Inflows	(16,585)
Deferred Other Post Employment Benefit Inflows	(3,805)
Total Adjustments to Reconcile Operating Activities	692,910
Net Cash Provided (Used) by	
Operating Activities	\$ 411,681

See accompanying notes to basic financial statements.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Poteet, Texas (“City”), established in 1886, in Atascosa County, just south of San Antonio. The City is governed by an elected mayor and five council members elected at large. The City provides the following services: court, fire, police, animal control, street maintenance, library, sanitation, water, sewer and parks.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. The City has no component units.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental, and proprietary funds. The General Fund and Utility Fund meet the criteria as *major funds*.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include taxes and intergovernmental revenues. Primary expenditures are for general administration, streets, fire, police, and parks.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Utility Fund (used to account for the provision of water and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. INVESTMENTS (CONTINUED)

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are stated at fair value (plus accrued interest) except for money market investments, certificates of deposit and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost.

The City's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the investments are reported at a \$1 per share, which approximates fair value.

6. ACCOUNTS RECEIVABLE/REVENUE RECOGNITION

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2023 and past due after January 31, 2024. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

CITY OF POTEET
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

9. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and a useful life in excess of two years. Infrastructure assets include City-owned streets, water system, and sewer system. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	20-50 years
Streets and Infrastructure	20 years
Water Distribution and Treatment	10-50 years
Vehicles and Equipment	3-10 years

10. COMPENSATED ABSENCES

Full-time employees earn sick and vacation leave at varying rates depending on length of service. Unused sick leave is not paid on termination and is not accrued in these financial statements. Vacation leave is paid on termination. Vacation leave is accrued as incurred in the government-wide and proprietary statements. However, it is recognized on the governmental fund statements only when it is due and payable.

11. UNAVAILABLE/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources). Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

13. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the discount. Bond issuance costs are expensed as 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.

14. PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The total other post-employment benefit liability, deferred inflows and outflows of resources, and OPEB expense, have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

15. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council has also given the authority to create assignments to the City Administrator.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

The City has established a minimum fund balance policy in the General fund of three months of operating expenditures. Should fund balance drop below this number, a timeline and plan should be developed to restore the minimum in a period of three years or less.

17. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

18. USE OF ESTIMATES

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

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE B – DEPOSITS AND INVESTMENTS

1. Deposits

The City maintains deposits at one institution that provides a combination of pledged collateral and FDIC insurance to completely collateralize the City's deposits, including its certificate of deposit.

2. Investments

As of and for the year ending September 30, 2024, the City's invested in an FDIC insured certificate of deposit. The certificate of deposit is carried at amortized cost.

The City maintains an account with TexSTAR, a AAAm rated local government investment pool. The balance in TexSTAR (\$10,469) is reported at net asset value and included in cash and cash equivalents.

NOTE C – PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Atascosa County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2023, upon which the fiscal 2024 levy was based, was \$139 million (i.e., market value less exemptions).

The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2024, was \$0.9481 per \$100 of assessed value. The City may not adopt a tax rate that exceeds the voter approved tax rate calculated in accordance with the Texas Property Tax Code without holding an election. The City may levy an interest and sinking tax rate at any level necessary to service voter approved debts. The maintenance and operations tax rate is limited to annual growth of 3.5% without an election.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE D – OTHER RECEIVABLES

Other receivables for the City as of September 30, 2024 are as follows:

	General Fund	Other Nonmajor	Utility
Sales and Mixed Beverage Tax	\$ 145,312	\$ -	\$ -
Ad Valorem Taxes	273,707	123,832	-
Franchise Tax	11,287	-	-
Customer Charges	105,657	39,366	324,786
Allowance for Doubtful Accounts	(56,075)	(12,383)	(73,440)
Total Other Receivables	\$ 479,888	\$ 150,815	\$ 251,346

NOTE E – CAPITAL ASSETS

Capital asset activity in the governmental funds for the year ended September 30, 2024, was as follows:

	Balance 10/1/2023	Additions	Disposals/ Transfers	Balance 9/30/2024
<i>Governmental Activities</i>				
Land	\$ 81,917	\$ -	\$ -	\$ 81,917
Buildings and Improvements	1,692,737	-	(21,287)	1,671,450
Vehicles and Equipment	1,147,926	400,424	(146,897)	1,401,453
Infrastructure	7,241,376	-	-	7,241,376
	10,163,956	400,424	(168,184)	10,396,196
Less Accumulated Depreciation				
Buildings and Improvements	(962,844)	(29,725)	21,287	(971,282)
Vehicles and Equipment	(793,513)	(126,247)	146,897	(772,863)
Infrastructure	(6,653,850)	(140,070)	-	(6,793,920)
	(8,410,207)	(296,042)	168,184	(8,538,065)
Governmental Activities, Net	\$ 1,753,749	\$ 104,382	\$ -	\$ 1,858,131

Land and Construction in Progress are not depreciated.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE E – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$	61,632
Police		69,907
Streets		140,070
Parks and Recreation		11,658
Library		12,775
Total Depreciation Expense - Governmental Activities		\$ 296,042

Capital asset activity in the business-type fund for the year ended September 30, 2024, was as follows:

	<u>Balance</u> <u>10/1/2023</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance</u> <u>9/30/2024</u>
<i>Business-Type Activities</i>				
Land	\$ 8,958	\$ -	\$ -	\$ 8,958
Vehicles and Equipment	210,465	-	224,924	435,389
Utility System	15,656,414	21,543	3,131,064	18,809,021
Construction in Progress	1,617,314	1,938,988	(3,513,552)	42,750
	17,493,151	1,960,531	(157,564)	19,296,118
 Less Accumulated Depreciation				
Vehicles and Equipment	(204,151)	(48,202)	101,548	(150,805)
Utility System	(5,769,305)	(451,521)	56,016	(6,164,810)
	(5,973,456)	(499,723)	157,564	(6,315,615)
 Business-Type Activities, Net	 \$ 11,519,695	 \$ 1,460,808	 \$ -	 \$ 12,980,503

Land and construction in progress are not depreciated.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE F – LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024
<i>Governmental Activities:</i>				
Bonds and Notes	\$ 1,702,699	\$ 275,223	\$ (96,177)	\$ 1,881,745
Compensated Absences	49,640	27,860	(37,230)	40,270
Net Pension Liability (Asset)	(143,272)	111,707	(155,098)	(186,663)
Total OPEB Liability	<u>22,958</u>	<u>7,782</u>	<u>(3,050)</u>	<u>27,690</u>
<i>Total Governmental</i>	<u>1,632,025</u>	<u>422,572</u>	<u>(291,555)</u>	<u>1,763,042</u>
<i>Business-Type Activities:</i>				
Bonds and Notes	11,540,732	-	(296,712)	11,244,020
Compensated Absences	30,585	26,803	(22,939)	34,449
Net Pension Liability (Asset)	(149,312)	124,097	(161,637)	(186,852)
Total OPEB Liability	<u>29,500</u>	<u>5,413</u>	<u>(1,319)</u>	<u>33,594</u>
<i>Total Business-Type</i>	<u>11,451,505</u>	<u>156,313</u>	<u>(482,607)</u>	<u>11,125,211</u>
<i>Total Government</i>	<u>\$13,083,530</u>	<u>\$ 578,885</u>	<u>\$ (774,162)</u>	<u>\$12,888,253</u>

NOTE G – BONDS, CERTIFICATES AND NOTES PAYABLE

General Obligation Refunding Bonds, Series 2015

In December 2015, the City issued \$3.68 million in bonds to refund 2004 and 2005 series. The City has pledged utility fund revenues and property taxes to service the debt. The bonds mature serially through 2041 and bear interest at rates ranging from 2.5-4%. The bonds were sold to the public.

Utility System Revenue Bonds, Series 2016

In July 2016, the City issued \$1.875 million in bonds to finance utility system improvements. The City has pledged utility fund revenues to service the debt. The bonds mature serially through 2056 and bear interest at 2.25%. The certificates were privately placed with no subjective acceleration clause or events of default with finance related consequences.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020

In May 2020, the City issued \$4.017 million in certificates to finance utility system improvements. Draws are made on the certificates as expenditures are incurred. As of September 30, 2024, \$2.99 mil had been drawn with the rest expected in 2022. The City has pledged utility fund revenues to service the debt but may also use property taxes. The City expects utility revenues to service the debt. The certificates mature serially through 2059 and bear interest at 1.9%. The certificates were privately placed with no subjective acceleration clause or events of default with finance related consequences.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2023

In April 2023, the City issued \$4.455 million in certificates to finance water meters and infrastructure improvements. The City has pledged utility fund revenues to service the debt but may also use property taxes. The City expects utility revenues to service the debt. The certificates mature serially through 2043 and bear interest at 4.25-5%.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G – BONDS, CERTIFICATES AND NOTES PAYABLE (CONTINUED)

In addition, the City has signed several notes payable in terms of three to five years that were privately placed. The notes were used to finance the purchase of vehicles, equipment and utility system improvements. None of these notes have subjective acceleration clauses or events of default with finance related consequences. These notes are serviced by the general and utility funds.

The City’s 2016 bonds and 2020 certificates include several restrictive covenants, including the establishment of a debt reserve and a repair reserve. The City has complied with the reserve account requirements as of September 30, 2024.

Changes in bonds, notes and certificates were as follows:

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
<i>Governmental Activities:</i>					
<i>Public Offerings:</i>					
General Obligation Series 2015	\$ 1,625,250	\$ -	\$ (63,250)	\$ 1,562,000	\$ 66,000
Unamortized Premiums	49,449	-	(4,927)	44,522	-
<i>Private Placements:</i>					
Tax Notes Series 2017	28,000	-	(28,000)	-	-
Notes Payable	-	275,223	-	275,223	55,313
<i>Total Governmental</i>	<u>1,702,699</u>	<u>275,223</u>	<u>(96,177)</u>	<u>1,881,745</u>	<u>121,313</u>
<i>Business-Type Activities:</i>					
<i>Public Offerings:</i>					
General Obligation Series 2015	\$ 1,329,750	\$ -	\$ (51,750)	\$ 1,278,000	\$ 54,000
Unamortized Premiums	255,920	-	(26,871)	229,049	-
Certificates Series 2023	4,455,000	-	(85,000)	4,370,000	145,000
<i>Private Placements:</i>					
Revenue Bonds Series 2016	1,658,000	-	(34,000)	1,624,000	35,000
Certificates Series 2020	3,733,996	-	(74,000)	3,659,996	76,000
Notes Payable	108,066	-	(25,091)	82,975	26,333
<i>Total Business-Type</i>	<u>11,540,732</u>	<u>-</u>	<u>(296,712)</u>	<u>11,244,020</u>	<u>336,333</u>
<i>Total Government</i>	<u>\$ 13,243,431</u>	<u>\$ 275,223</u>	<u>\$ (392,889)</u>	<u>\$ 13,125,765</u>	<u>\$ 457,646</u>

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G -- BONDS, CERTIFICATES AND NOTES PAYABLE (CONTINUED)

Requirements to service the debts are as follows:

Year Ending September 30,	Publicly Offered Bonds				
	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2025	\$ 66,000	\$ 58,204	\$ 199,000	\$ 250,059	\$ 573,263
2026	68,750	55,509	206,250	240,479	570,988
2027	71,500	52,704	218,500	230,434	573,138
2028	74,250	49,789	225,750	219,924	569,713
2029	77,000	46,764	238,000	208,949	570,713
2030-2034	437,250	183,715	1,372,750	860,250	2,853,965
2035-2039	528,000	93,579	1,727,000	502,859	2,851,438
2040-2043	239,250	9,024	1,460,750	120,839	1,829,863
Total	<u>\$ 1,562,000</u>	<u>\$ 549,288</u>	<u>\$ 5,648,000</u>	<u>\$ 2,633,793</u>	<u>\$ 10,393,081</u>

Year Ending September 30,	Private Placement, Certificates, Bonds and Tax Notes				
	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2025	\$ -	\$ -	\$ 111,000	\$ 105,324	\$ 216,324
2026	-	-	113,000	103,091	216,091
2027	-	-	116,000	100,808	216,808
2028	-	-	117,000	98,741	215,741
2029	-	-	120,000	96,123	216,123
2030-2034	-	-	638,000	443,489	1,081,489
2035-2039	-	-	706,000	376,506	1,082,506
2040-2044	-	-	781,000	302,222	1,083,222
2045-2049	-	-	863,000	219,848	1,082,848
2050-2054	-	-	954,000	129,211	1,083,211
2055-2059	-	-	764,996	36,198	801,194
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,283,996</u>	<u>\$ 2,011,561</u>	<u>\$ 7,295,557</u>

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G – BONDS, CERTIFICATES AND NOTES PAYABLE (CONTINUED)

Year Ending September 30,	Private Placement Notes Payable				Total
	Governmental		Business-Type		
	Principal	Interest	Principal	Interest	
2025	\$ 55,313	\$ 18,200	\$ 26,333	\$ 4,107	\$ 103,953
2026	59,048	14,464	27,637	2,804	103,953
2027	63,038	10,475	29,005	1,436	103,954
2028	47,406	6,213	-	-	53,619
2029	50,418	3,202	-	-	53,620
Total	<u>\$ 275,223</u>	<u>\$ 52,554</u>	<u>\$ 82,975</u>	<u>\$ 8,347</u>	<u>\$ 419,099</u>

NOTE H – PENSION PLAN

Plan Description

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years.

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H – PENSION PLAN (CONTINUED)

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to but Not Yet Receiving Benefits	49
Active employees	29
	91

Contributions

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

For the year ending September 30, 2024, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year and the City matched 1.5 to 1. The contribution rates for the City were 2.56% and 2.36% in calendar years 2024 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2024 were \$35,121, and were equal to the required contributions.

Actuarial Assumptions

The City’s net pension liability (NPL) was measured as of December 31, 2023 and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions:

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

CITY OF POTEET
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2024

NOTE H – PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H – PENSION PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	6.70%
Core Fixed Income	6%	4.70%
Non-Core Fixed Income	20%	8.00%
Other Public and Private Markets	12%	8.00%
Real Estate	12%	7.60%
Hedge Funds	5%	6.40%
Private Equity	10%	11.60%
	100%	

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

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H – PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

The below schedule presents the changes in the Net Pension Liability (Asset) as of December 31, 2023:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2022	\$ 1,615,818	\$ 1,908,402	\$ (292,584)
Changes for the year:			
Service Cost	118,220	-	118,220
Interest	110,953	-	110,953
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	7,733	-	7,733
Changes of Assumptions	(2,517)	-	(2,517)
Contributions - Employer	-	30,931	(30,931)
Contributions - Employee	-	65,532	(65,532)
Net Investment Income	-	220,272	(220,272)
Benefit Payments, Including Refunds of Employee Contributions	(62,368)	(62,368)	-
Administrative Expense	-	(1,405)	1,405
Other Changes	-	(10)	10
Net Changes	<u>172,021</u>	<u>252,952</u>	<u>(80,931)</u>
Balance at December 31, 2023	<u>\$ 1,787,839</u>	<u>\$ 2,161,354</u>	<u>\$ (373,515)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate.

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, 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 or 1-percentage-point higher than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ (151,879)	\$ (373,515)	\$ (557,887)

Pension Plan Fiduciary Net Position

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

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H – PENSION PLAN (CONTINUED)

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

For the year ended September 30, 2024, the City recognized pension expense of \$4,111. Also, as of September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 4,840	\$ -
Changes in Actuarial Assumptions	-	1,485
Differences Between Projected and Actual Investment Earnings	49,954	-
Contributions Subsequent to the Measurement Date	25,873	-
	\$ 80,667	\$ 1,485

Deferred outflows of resources in the amount of \$25,873 is resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2024	\$ 15,536
2025	16,930
2026	39,134
2027	(18,291)
	\$ 53,309

CITY OF POTEET
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2024

NOTE I – OTHER POST-EMPLOYMENT BENEFIT

The City also participates in the cost sharing single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 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 post-employment benefit,” or OPEB. Membership in the plan at December 31, 2023, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	7
Inactive Employees Entitled to but Not Yet Receiving Benefits	4
Active employees	29
	40
	40

The SDBF required contribution rates, based on these assumptions, are as follows:

	Total SDBF Contribution Rate	Retiree SDBF Contribution Rate
For the Plan Year Ended December 31,		
2024	0.36%	0.11%
2023	0.40%	0.17%

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE I – OTHER POSTEMPLOYMENT BENEFIT (CONTINUED)

These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	3.77% (Based on Fidelity's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid thru the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2023, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2022	\$ 52,458
Changes for the year:	
Service Cost	3,932
Interest	2,159
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	1,959
Changes in Assumptions or Other Inputs	3,004
Benefit Payments	(2,228)
Net Changes	8,826
Balance at December 31, 2023	\$ 61,284

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE I – OTHER POSTEMPLOYMENT BENEFIT (CONTINUED)

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.77% as well as what the City’s TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 2.77%	Discount Rate 3.77%	Discount Rate 4.77%
Total OPEB Liability	\$ 72,182	\$ 61,284	\$ 52,612

For the year ended September 30, 2024, the City recognized OPEB expense of \$2,665. Also as of September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 7,755	\$ 14,821
Changes in Experience	2,582	5,744
Contributions Subsequent to the Measurement Date	1,112	-
	\$ 11,449	\$ 20,565

Deferred outflows of resources in the amount of \$1,112 is resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended December 31,	
2024	\$ (2,991)
2025	(4,155)
2026	(4,022)
2027	718
2028	222
Thereafter	-
	\$ (10,228)

CITY OF POTEET
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE J – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to coverage limits.

NOTE K – TRANSFERS

The following transfers occurred during the year ending September 30, 2024:

From	To	Amount	Purpose
Debt Service	Utility Fund	\$ 590,271	In support of debt service
General Fund	Debt Service	28,287	In support of debt service
		\$ 618,558	

NOTE L – COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City’s liability in these cases, if decided adversely to the City, will not have a material effect on the City’s financial position.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan
- Schedule of Changes – Total Other Post-Employment Benefit Liability and Related Ratios

CITY OF POTEET
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	
REVENUES				
Ad Valorem Taxes	\$ 812,151	\$ 812,151	\$ 826,431	\$ 14,280
Grants and Donations	4,450	388,450	742,773	354,323
Franchise Fees	110,400	110,400	112,586	2,186
Sales Taxes	644,719	644,719	717,412	72,693
Charges for Services	648,145	648,145	653,443	5,298
Fines and Forfeitures	111,000	111,000	177,206	66,206
Licenses, Permits and Fees	52,900	52,900	78,676	25,776
Interest Income	-	-	2,062	2,062
Miscellaneous	39,000	39,000	51,716	12,716
TOTAL REVENUES	<u>2,422,765</u>	<u>2,806,765</u>	<u>3,362,305</u>	<u>555,540</u>
EXPENDITURES				
<i>Current:</i>				
Sanitation	480,000	480,000	493,005	(13,005)
Administration	376,234	533,135	476,813	56,322
Court	94,320	86,820	96,927	(10,107)
Police	888,598	912,098	840,871	71,227
Fire	59,010	59,010	26,989	32,021
Streets	70,200	70,200	68,153	2,047
Animal Control	51,646	51,646	56,220	(4,574)
Parks & Recreation	181,583	215,653	223,904	(8,251)
Library	128,249	128,249	110,933	17,316
Capital Outlay	26,000	150,547	419,209	(268,662)
Debt Issuance Costs	-	4,806	4,806	-
TOTAL EXPENDITURES	<u>2,355,840</u>	<u>2,692,164</u>	<u>2,817,830</u>	<u>(125,666)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,925	114,601	544,475	429,874
OTHER FINANCING SOURCES				
Issuance of Notes Payable	-	275,223	275,223	-
Transfers Out	-	-	(28,287)	(28,287)
TOTAL OTHER FINANCING	<u>-</u>	<u>275,223</u>	<u>246,936</u>	<u>(28,287)</u>
NET CHANGE IN FUND BALANCE	66,925	389,824	791,411	401,587
BEGINNING FUND BALANCE	831,410	831,410	831,410	-
ENDING FUND BALANCE	<u>\$ 898,335</u>	<u>\$ 1,221,234</u>	<u>\$ 1,622,821</u>	<u>\$ 401,587</u>

CITY OF POTEET
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2024

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Debt Service Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF POTEET
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN PLAN (CALENDAR) YEARS

	Total Pension Liability			
	2014	2015	2016	2017
Service Cost	\$ 45,593	\$ 60,135	\$ 71,820	\$ 79,750
Interest (on the Total Pension Liability)	72,248	73,077	78,853	86,925
Changes of Benefit Terms	-	-	-	17,918
Difference between Expected and Actual Experience	(51,216)	13,215	(733)	(39,333)
Change of Assumptions	-	33,752	-	-
Benefit Payments, Including Refunds of Employee Contributions	(33,575)	(90,542)	(33,028)	(71,459)
Net Change in Total Pension Liability	33,050	89,637	116,912	73,801
Total Pension Liability - Beginning	1,026,108	1,059,158	1,148,795	1,265,707
Total Pension Liability - Ending	<u>\$ 1,059,158</u>	<u>\$ 1,148,795</u>	<u>\$ 1,265,707</u>	<u>\$ 1,339,508</u>
	Plan Fiduciary Net Position			
	2014	2015	2016	2017
Contributions - Employer	\$ 5,355	\$ 8,680	\$ 6,041	\$ 15,693
Contributions - Employee	38,487	37,631	42,148	48,100
Net Investment Income	74,961	2,058	91,321	201,561
Benefit Payments, Including Refunds of Employee Contributions	(33,575)	(90,542)	(33,028)	(71,459)
Administrative Expense	(783)	(1,253)	(1,031)	(1,046)
Other	(64)	(63)	(56)	(52)
Net Change	84,381	(43,489)	105,395	192,797
Beginning Plan Fiduciary Net Position	1,310,307	1,394,688	1,351,199	1,456,594
Ending Plan Fiduciary Net Position	<u>\$ 1,394,688</u>	<u>\$ 1,351,199</u>	<u>\$ 1,456,594</u>	<u>\$ 1,649,391</u>
Net Pension Liability (Asset) - Ending	\$ (335,530)	\$ (202,404)	\$ (190,887)	\$ (309,883)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	131.68%	117.62%	115.08%	123.13%
Covered Payroll	\$ 769,743	\$ 752,625	\$ 842,961	\$ 962,001
Net Pension Liability as a Percentage of Covered Payroll	-43.59%	-26.89%	-22.64%	-32.21%

Total Pension Liability					
2018	2019	2020	2021	2022	2023
\$ 84,177	\$ 89,241	\$ 101,389	\$ 82,454	\$ 91,905	\$ 118,220
87,516	89,336	97,456	101,709	101,039	110,953
-	-	-	-	-	-
(21,239)	13,010	(27,618)	(107,264)	8,247	7,733
-	7,087	-	-	-	(2,517)
(170,127)	(81,925)	(86,970)	(110,525)	(72,588)	(62,368)
(19,673)	116,749	84,257	(33,626)	128,603	172,021
1,339,508	1,319,835	1,436,584	1,520,841	1,487,215	1,615,818
<u>\$ 1,319,835</u>	<u>\$ 1,436,584</u>	<u>\$ 1,520,841</u>	<u>\$ 1,487,215</u>	<u>\$ 1,615,818</u>	<u>\$ 1,787,839</u>

Plan Fiduciary Net Position					
2018	2019	2020	2021	2022	2023
\$ 20,869	\$ 22,270	\$ 24,684	\$ 26,146	\$ 32,250	\$ 30,931
48,545	51,111	57,673	47,009	51,286	65,532
(49,331)	231,098	130,387	240,246	(149,013)	220,272
(170,127)	(81,925)	(86,970)	(110,525)	(72,588)	(62,368)
(955)	(1,309)	(845)	(1,113)	(1,293)	(1,405)
(50)	(39)	(33)	9	1,544	(10)
(151,049)	221,206	124,896	201,772	(137,814)	252,952
1,649,391	1,498,342	1,719,548	1,844,444	2,046,216	1,908,402
<u>\$ 1,498,342</u>	<u>\$ 1,719,548</u>	<u>\$ 1,844,444</u>	<u>\$ 2,046,216</u>	<u>\$ 1,908,402</u>	<u>\$ 2,161,354</u>

\$ (178,507)	\$ (282,964)	\$ (323,603)	\$ (559,001)	\$ (292,584)	\$ (373,515)
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113.52%	119.70%	121.28%	137.59%	118.11%	120.89%
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\$ 970,898	\$ 1,251,557	\$ 1,153,461	\$ 940,186	\$ 1,025,727	\$ 1,310,638
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-18.39%	-22.61%	-28.05%	-59.46%	-28.52%	-28.50%
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CITY OF POTEET
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN
 LAST FIVE FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 35,121	\$ 35,121	\$ -	\$ 1,411,001	2.5%
2023	31,105	31,105	-	1,248,259	2.5%
2022	24,230	24,230	-	870,756	2.8%
2021	22,719	22,719	-	997,050	2.3%
2020	24,472	24,472	-	1,136,779	2.2%

CHANGES IN ASSUMPTIONS

- 2023 New Retirement and mortality assumptions
- 2019 New Retirement and mortality assumptions
- 2015 Investment rate of return lowered from 7% to 6.75%

CHANGES IN BENEFITS

None

CITY OF POTEET
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND
RELATED RATIOS
LAST SEVEN CALENDAR (PLAN) YEARS

	Total OPEB Liability			
	2017	2018	2019	2020
Service Cost	\$ 3,656	\$ 4,078	\$ 3,782	\$ 4,498
Interest	1,531	1,640	1,878	1,769
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	(680)	(1,595)	(9,568)
Changes in Assumptions or Other Inputs	3,789	(3,549)	9,703	8,705
Benefit Payments	(192)	(97)	(409)	(461)
Net Change in Total Pension Liability	8,784	1,392	13,359	4,943
Total OPEB Liability - Beginning	38,764	47,548	48,940	62,299
Total OPEB Liability - Ending	<u>\$ 47,548</u>	<u>\$ 48,940</u>	<u>\$ 62,299</u>	<u>\$ 67,242</u>
 Covered Payroll	 \$ 962,001	 \$ 970,898	 \$ 1,251,557	 \$ 1,153,461
 Total OPEB Liability as a Percentage of Covered Payroll	 4.94%	 5.04%	 4.98%	 5.83%

Notes to Schedule:

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

Changes in Benefit Terms:

None

Changes in Assumptions:

2023 Discount rate decreased to 3.77%
2022 Discount rate increased to 4.05%
2021 Discount rate reduced to 1.84%
2020 Discount rate reduced to 2.00%
2019 Discount rate reduced to 2.75%
2018 Discount rate increased to 3.71%
2017 Discount rate reduced to 3.31%

Total OPEB Liability		
2021	2022	2023
\$ 4,043	\$ 6,462	\$ 3,932
1,373	1,313	2,159
-	-	-
(4,682)	1,655	1,959
1,983	(24,478)	3,004
(1,222)	(1,231)	(2,228)
<u>1,495</u>	<u>(16,279)</u>	<u>8,826</u>
67,242	68,737	52,458
<u>\$ 68,737</u>	<u>\$ 52,458</u>	<u>\$ 61,284</u>
\$ 940,186	\$ 1,025,727	\$ 1,310,638
7.31%	5.11%	4.68%



SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Combining Statements – Nonmajor Funds
- Comparative Fund Statements
 - General Fund
 - Proprietary Utility Fund

CITY OF POTEET
 COMBINING BALANCE SHEET – NONMAJOR FUNDS
 SEPTEMBER 30, 2024

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Court Technology</u>	<u>Court Security</u>			
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 8,407	\$ 261,714	\$ 126,148	\$ 396,269
Ad Valorem Taxes Receivable, net	-	-	-	111,449	111,449
Other Receivables	-	-	39,366	-	39,366
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 8,407</u>	<u>\$ 301,080</u>	<u>\$ 237,597</u>	<u>\$ 547,084</u>
LIABILITIES AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ -	\$ 41,649	\$ -	\$ 41,649
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>41,649</u>	<u>-</u>	<u>41,649</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Ad Varorem Revenue	-	-	-	108,940	108,940
<i>Fund Balances:</i>					
Restricted for:					
Municipal Court	-	8,407	-	-	8,407
Debt Service	-	-	-	128,657	128,657
Assigned for:					
Capital Improvements	-	-	259,431	-	259,431
<i>Total Fund Balances</i>	<u>-</u>	<u>8,407</u>	<u>259,431</u>	<u>128,657</u>	<u>396,495</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 8,407</u>	<u>\$ 301,080</u>	<u>\$ 237,597</u>	<u>\$ 547,084</u>

CITY OF POTEET
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue		Capital Projects	Debt Service	Total
	Court Technology	Court Security			
REVENUES					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ 365,814	\$ 365,814
Fines and Forfeitures	3,082	3,613	-	-	6,695
Miscellaneous	-	-	82,018	-	82,018
TOTAL REVENUES	<u>3,082</u>	<u>3,613</u>	<u>82,018</u>	<u>365,814</u>	<u>454,527</u>
EXPENDITURES					
Current:					
Court	13,232	-	-	-	13,232
Capital Outlay	-	-	66,466	-	66,466
Debt Service:					
Principal	-	-	-	91,250	91,250
Interest	-	-	-	61,676	61,676
TOTAL EXPENDITURES	<u>13,232</u>	<u>-</u>	<u>66,466</u>	<u>152,926</u>	<u>232,624</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	(10,150)	3,613	15,552	212,888	221,903
OTHER FINANCING SOURCES (USES)					
Transfer In	-	-	-	28,287	28,287
Transfer Out	-	-	-	(590,271)	(590,271)
TOTAL OFS	<u>-</u>	<u>-</u>	<u>-</u>	<u>(561,984)</u>	<u>(561,984)</u>
Net Change in Fund Balance	(10,150)	3,613	15,552	(349,096)	(340,081)
BEGINNING FUND BALANCE	10,150	4,794	243,879	477,753	736,576
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 8,407</u>	<u>\$ 259,431</u>	<u>\$ 128,657</u>	<u>\$ 396,495</u>

CITY OF POTEET
 COMPARATIVE BALANCE SHEET – GENERAL FUND
 SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 1,399,412	\$ 947,487
Certificate of Deposit	116,908	114,849
Ad Valorem Taxes Receivable	246,337	227,450
Other Receivables	233,551	195,999
Prepaid Items	90,181	21,311
TOTAL ASSETS	\$ 2,086,389	\$ 1,507,096
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 189,187	\$ 108,605
Accrued Wages	33,591	25,525
Unearned Revenues - ARPA	-	313,516
Deposits	-	590
<i>Total Liabilities</i>	<i>222,778</i>	<i>448,236</i>
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	240,790	227,450
 <i>Fund Balances:</i>		
Nonsependable Prepaid Items	90,181	21,311
Unassigned	1,532,640	810,099
<i>Total Fund Balance</i>	<i>1,622,821</i>	<i>831,410</i>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 2,086,389	 \$ 1,507,096

CITY OF POTEET
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – GENERAL FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
REVENUES		
Ad Valorem Taxes	\$ 826,431	\$ 715,374
Grants and Donations	742,773	6,930
Franchise Fees	112,586	120,259
Sales Taxes	717,412	634,005
Charges for Services	653,443	622,382
Fines and Forfeitures	177,206	86,778
Licenses, Permits, and Fees	78,676	36,147
Interest Income	2,062	1,086
Misc Income	51,716	72,208
TOTAL REVENUES	3,362,305	2,295,169
EXPENDITURES		
<i>Current:</i>		
Sanitation	493,005	435,205
Administration	476,813	428,492
Court	96,927	94,967
Police	840,871	842,982
Fire	26,989	42,574
Streets	68,153	67,427
Animal Control	56,220	7,377
Parks & Recreation	223,904	199,004
Library	110,933	92,147
Capital Outlay	419,209	4,620
Debt Service:		
Issuance Costs	4,806	-
TOTAL EXPENDITURES	2,817,830	2,214,795
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	544,475	80,374
OTHER FINANCING SOURCES (USES)		
Issuance of Notes Payable	275,223	-
Transfers In	-	110,000
Transfers Out	(28,287)	(47,333)
TOTAL OTHER FINANCING SOURCES (USES)	246,936	62,667
NET CHANGE IN FUND BALANCE	791,411	143,041
BEGINNING FUND BALANCE	831,410	688,369
ENDING FUND BALANCE	\$ 1,622,821	\$ 831,410

CITY OF POTEET
 COMPARATIVE STATEMENTS OF NET POSITION – PROPRIETARY UTILITY FUND
 SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 102,706	\$ 7,351
Accounts Receivable (net)	251,346	224,923
Grant Receivable	14,350	-
Prepaid Expenses	8,444	22,843
<i>Total Current Assets</i>	376,846	255,117
 <i>Other Assets:</i>		
Restricted Cash - Debt Reserve	226,064	179,482
Restricted Cash - Unspent Bond Proceeds	1,194,787	2,907,671
Capital Assets (net)	12,980,503	11,519,695
Net Pension Asset	186,852	149,312
<i>Total Other Assets</i>	14,588,206	14,756,160
TOTAL ASSETS	14,965,052	15,011,277
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Other Post Employment Benefit Outflows	7,901	8,024
Deferred Pension Related Outflows	16,261	56,006
TOTAL DEFERRED OUTFLOWS	24,162	64,030
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	210,126	25,487
Accrued Wages	20,775	16,143
Accrued Interest	61,987	69,424
Accrued Compensated Absences	34,449	30,585
Customer Deposits	222,106	217,336
Current Portion of Long-term Debt	336,333	269,841
<i>Total Current Liabilities:</i>	885,776	628,816
<i>Noncurrent Liabilities:</i>		
Long-term Debt (Net of Current Portion)	10,907,687	11,270,891
Net Other Post Employment Benefit Liability	33,594	29,500
<i>Total Noncurrent Liabilities:</i>	10,941,281	11,300,391
TOTAL LIABILITIES	11,827,057	11,929,207
 DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Inflows	1,236	17,821
Deferred Other Post Employment Benefits Inflows	8,148	11,953
TOTAL DEFERRED INFLOWS	9,384	29,774
 NET POSITION		
Net Investment in Capital Assets	2,794,838	2,886,634
Restricted for Debt Reserve	186,852	179,482
Restricted for Net Pension Asset	226,064	149,312
Unrestricted (Deficit)	(54,981)	(99,102)
TOTAL NET POSITION	\$ 3,152,773	\$ 3,116,326

CITY OF POTEET
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 – PROPRIETARY UTILITY FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Water Charges	\$ 1,036,797	\$ 905,994
Sewer Charges	402,909	394,504
Other Charges	129,628	74,548
TOTAL OPERATING REVENUES	1,569,334	1,375,046
OPERATING EXPENSES		
<i>Administration:</i>		
Personnel	259,852	235,148
Services	35,378	27,701
Operations	55,645	37,646
<i>Water:</i>		
Personnel	379,076	286,996
Services	20,707	28,837
Operations and Maintenance	264,318	221,295
<i>Sewer:</i>		
Personnel	212,308	182,087
Services	8,657	12,600
Operations and Maintenance	114,899	164,989
Depreciation	499,723	490,746
TOTAL OPERATING EXPENSES	1,850,563	1,688,045
OPERATING INCOME (LOSS)	(281,229)	(312,999)
NONOPERATING REVENUES (EXPENSES)		
Grant Income	46,500	108,791
Miscellaneous Income	21,274	45,086
Interest Income	46,920	24,985
Interest Expense	(387,289)	(205,397)
Bond Issuance Costs	-	(170,461)
TOTAL NONOPERATING REVENUES (EXPENSES)	(272,595)	(196,996)
Transfers In/Out	590,271	(110,000)
NET INCOME	36,447	(619,995)
NET POSITION AT BEGINNING OF YEAR	3,116,326	3,736,321
NET POSITION AT END OF YEAR	\$ 3,152,773	\$ 3,116,326



COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Mayor, Council and Management of
City of Poteet
Poteet, TX

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Poteet as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Poteet's basic financial statements, and have issued our report thereon dated March 11, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

March 11, 2025

