



**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2023**



CITY OF POTEET  
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

DENISE SANCHEZ

COUNCIL

NICHOLAS SANCHEZ

HENRY DOMINGUEZ

RICK T. FLORES

CANDACE PEREZ

CRYSTAL BAUTISTA

CITY ADMINISTRATOR

MELISSA POPHAM

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

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

	<u>PAGE</u>
PRINCIPAL OFFICERS	i
TABLE OF CONTENTS	ii

**FINANCIAL SECTION**

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS .....	10
STATEMENT OF NET POSITION.....	11
STATEMENT OF ACTIVITIES.....	13
BALANCE SHEET - GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION .....	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS .....	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES .....	18
STATEMENT OF NET POSITION – PROPRIETARY UTILITY FUND.....	19
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY UTILITY FUND.....	20
STATEMENT OF CASH FLOWS – PROPRIETARY UTILITY FUND .....	21
NOTES TO BASIC FINANCIAL STATEMENTS .....	23
REQUIRED SUPPLEMENTARY INFORMATION .....	45
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND.....	46
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL.....	47
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS.....	48
SCHEDULE OF EMPLOYER CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN .....	50
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS.....	51

SUPPLEMENTARY INFORMATION .....	52
COMBINING BALANCE SHEET – NONMAJOR FUNDS.....	53
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS.....	54
COMPARATIVE BALANCE SHEET – GENERAL FUND.....	55
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND.....	56
COMPARATIVE STATEMENTS OF NET POSITION – PROPRIETARY UTILITY FUND.....	57
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY UTILITY FUND.....	58
COMPLIANCE SECTION.....	59
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.....	60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	62



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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 12, 2024 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 12, 2024

## 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, 2023. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

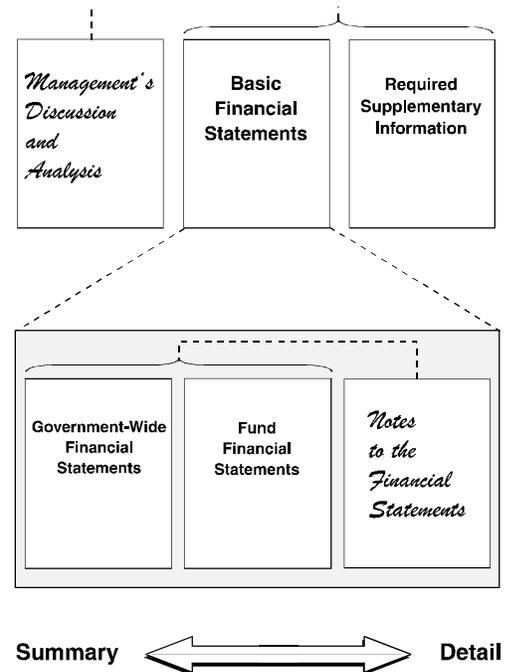
- The City’s total combined net position was \$5.2 million at September 30, 2023.
- During the year, the City’s governmental expenses (net of transfers from the utility fund) were \$447 thousand less than the \$3.0 million generated in general and program revenues for governmental activities. The total cost of the City’s governmental programs increased 23% from the prior year as the City is continuing to fill personnel vacancies. Revenues increased from utilization of the American Rescue Plan Grant.
- The general fund reported a fund balance this year of \$831 thousand, an increase of \$143 thousand.
- The utility fund issued \$4.45 million in bonds in 2023 for equipment purchases, new water meters and infrastructure improvements.

### 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.

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
<b>Fund Statements</b>			
<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 \$5.2 million at September 30, 2023. (See Table A-1).

**Table A-1**  
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<i>Assets:</i>						
Current Assets	\$ 2,305,300	\$ 2,445,433	\$ 255,117	\$ 512,029	\$ 2,560,417	\$ 2,957,462
Other Assets	1,897,021	2,017,623	14,756,160	10,687,443	16,653,181	12,705,066
<i>Total Assets</i>	<u>4,202,321</u>	<u>4,463,056</u>	<u>15,011,277</u>	<u>11,199,472</u>	<u>19,213,598</u>	<u>15,662,528</u>
<i>Deferred Outflows of Resources:</i>	<u>102,176</u>	<u>22,444</u>	<u>64,030</u>	<u>9,668</u>	<u>166,206</u>	<u>32,112</u>
<i>Liabilities:</i>						
Current Liabilities	599,353	1,030,259	628,816	470,242	1,228,169	1,500,501
Long-Term Liabilities	1,634,407	1,740,465	11,300,391	6,910,565	12,934,798	8,651,030
<i>Total Liabilities</i>	<u>2,233,760</u>	<u>2,770,724</u>	<u>11,929,207</u>	<u>7,380,807</u>	<u>14,162,967</u>	<u>10,151,531</u>
<i>Deferred Inflows of Resources:</i>	<u>24,376</u>	<u>115,662</u>	<u>29,774</u>	<u>92,012</u>	<u>54,150</u>	<u>207,674</u>
<i>Net Position:</i>						
Net Investment in Capital Assets	51,050	(98,925)	2,886,634	3,328,408	2,937,684	3,229,483
Restricted	687,369	770,268	328,794	294,316	1,016,163	1,064,584
Unrestricted	1,307,942	927,771	(99,102)	113,597	1,208,840	1,041,368
<i>Total Net Position</i>	<u>\$ 2,046,361</u>	<u>\$ 1,599,114</u>	<u>\$ 3,116,326</u>	<u>\$ 3,736,321</u>	<u>\$ 5,162,687</u>	<u>\$ 5,335,435</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 2023 and 2022 fiscal years. The cost of all *governmental* activities this year was \$2.53 million. Taxpayers paid for 36% of these activities through property taxes.

## Business-Type Activities

Charges for services revenue of the City's utility business-type activities were similar to the prior year. Costs increased \$570 thousand for issuing a new bond and filling staffing vacancies.

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<i>Program Revenues:</i>						
Charges for Services	\$ 859,422	\$ 759,006	\$ 1,375,046	\$ 1,430,266	\$ 2,234,468	\$ 2,189,272
Operating Grants and Contributions	910	5,665	108,791	-	109,701	5,665
Capital Contributions	68,677	-	-	204,286	68,677	204,286
<i>General Revenues:</i>						
Taxes	1,681,961	1,629,921	-	-	1,681,961	1,629,921
Other	366,765	118,237	70,071	477	436,836	118,714
<b>TOTAL REVENUES</b>	<b>2,977,735</b>	<b>2,512,829</b>	<b>1,553,908</b>	<b>1,635,029</b>	<b>4,531,643</b>	<b>4,147,858</b>
<i>Program Expenses:</i>						
Sanitation	436,304	441,646	-	-	436,304	441,646
Administration	510,379	432,473	-	-	510,379	432,473
Court	95,198	62,321	-	-	95,198	62,321
Police	897,872	694,119	-	-	897,872	694,119
Fire	44,003	49,368	-	-	44,003	49,368
Streets	281,061	210,543	-	-	281,061	210,543
Animal Control	7,377	5,254	-	-	7,377	5,254
Parks & Recreation	209,624	103,490	-	-	209,624	103,490
Library	99,397	104,569	-	-	99,397	104,569
Interest	59,273	63,602	-	-	59,273	63,602
Utility	-	-	2,063,903	1,498,478	2,063,903	1,498,478
Transfers	(110,000)	(105,000)	110,000	105,000	-	-
<b>TOTAL EXPENSES</b>	<b>2,530,488</b>	<b>2,062,385</b>	<b>2,173,903</b>	<b>1,603,478</b>	<b>4,704,391</b>	<b>3,665,863</b>
<b>Change in Net Position</b>	<b>447,247</b>	<b>450,444</b>	<b>(619,995)</b>	<b>31,551</b>	<b>(172,748)</b>	<b>481,995</b>
Net Position at Beginning of Year	1,599,114	1,148,670	3,736,321	3,704,770	5,335,435	4,853,440
<b>Net Position at End of Year</b>	<b>\$ 2,046,361</b>	<b>\$ 1,599,114</b>	<b>\$ 3,116,326</b>	<b>\$ 3,736,321</b>	<b>\$ 5,162,687</b>	<b>\$ 5,335,435</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2023, the City had invested \$27.7 million in a broad range of capital assets, including land, equipment, buildings, and infrastructure (streets and water/sewer system). The significant addition for 2023 was for the 2023 bond projects for new meters and infrastructure improvements. (See Table A-3.)

**Table A-3**  
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 81,917	\$ 81,917	\$ 8,958	\$ 8,958	\$ 90,875	\$ 90,875
Buildings and Improvements	1,692,737	1,692,737	-	-	1,692,737	1,692,737
Vehicles and Equipment	1,147,926	913,739	210,465	284,056	1,358,391	1,197,795
Infrastructure	7,241,376	7,241,376	15,656,414	15,656,414	22,897,790	22,897,790
Construction in Progress	-	-	1,617,314	-	1,617,314	-
Totals at Historical Cost	10,163,956	9,929,769	17,493,151	15,949,428	27,657,107	25,879,197
Accumulated Depreciation	(8,410,207)	(8,213,831)	(5,973,456)	(5,556,301)	(14,383,663)	(13,770,132)
Net Capital Assets	<u>\$ 1,753,749</u>	<u>\$ 1,715,938</u>	<u>\$ 11,519,695</u>	<u>\$ 10,393,127</u>	<u>\$ 13,273,444</u>	<u>\$ 12,109,065</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, 2023, the City had \$13.2 million in long term debt outstanding as shown in Table A-4. In 2023, the City issued \$4.45 million in bonds to fund meter replacements and infrastructure improvements. 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	
	2023	2022	2023	2022	2023	2022
Bonds	\$ 1,625,250	\$ 1,685,750	\$ 11,176,746	\$ 6,878,246	\$ 12,801,996	\$ 8,563,996
Premiums	49,449	54,577	255,920	44,654	305,369	99,231
Tax Notes	28,000	56,000	-	-	28,000	56,000
Notes Payable	-	18,536	108,066	141,819	108,066	160,355
Total Long-Term Debt	<u>\$ 1,702,699</u>	<u>\$ 1,814,863</u>	<u>\$ 11,540,732</u>	<u>\$ 7,064,719</u>	<u>\$ 13,243,431</u>	<u>\$ 8,879,582</u>

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Revenues from governmental fund types increased \$477 thousand to \$3.0 million. The increase was the result of increased sales tax collections and utilization of the American Rescue Plan grant. Governmental expenditures increased \$669 thousand as several vacancies were filled and equipment purchases were made.

### **Budgetary Highlights**

General fund revenues were \$59 thousand higher than the budget, primarily from stronger than expected sales tax collections. Expenditures were under budget \$142 thousand. Fund balance increased \$142 thousand compared to an expected reduction in fund balance of \$12 thousand.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2023-2024 budget includes an increase in property tax rates from \$.840622 per \$100 to \$.948084, which is expected to raise approximately \$314 thousand in additional property tax revenue. General fund expenditures are expected to increase approximately 9% from the 2022-2023 spending levels, primarily to fill additional vacancies. The City expects to complete construction of the splash pad and installation of the new water meters in 2024. Other improvements are planned including city hall repairs and generators.

## **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](http://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, 2023

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,658,233	\$ 7,351	\$ 1,665,584
Certificate of Deposit	114,849	-	114,849
Ad Valorem Taxes Receivable, Net	289,078	-	289,078
Other Receivables, Net	221,829	224,923	446,752
Prepaid Expenses	21,311	22,843	44,154
<i>Total Current Assets</i>	<u>2,305,300</u>	<u>255,117</u>	<u>2,560,417</u>
<i>Other Assets:</i>			
Restricted Cash - Debt Reserve	-	179,482	179,482
Restricted Cash - Unspent Bond Proceeds	-	2,907,671	2,907,671
Capital Assets, Net	1,753,749	11,519,695	13,273,444
Net Pension Asset	143,272	149,312	292,584
<i>Total Other Assets</i>	<u>1,897,021</u>	<u>14,756,160</u>	<u>16,653,181</u>
<b>TOTAL ASSETS</b>	<u>4,202,321</u>	<u>15,011,277</u>	<u>19,213,598</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	98,486	56,006	154,492
Deferred Other Post Employment Benefit Outflows	3,690	8,024	11,714
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>\$ 102,176</u>	<u>\$ 64,030</u>	<u>\$ 166,206</u>

See accompanying notes to basic financial statements.

CITY OF POTEET  
STATEMENT OF NET POSITION (CONTINUED)  
SEPTEMBER 30, 2023

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 108,605	\$ 25,487	\$ 134,092
Accrued Wages	25,525	16,143	41,668
Accrued Interest	10,227	69,424	79,651
Accrued Compensated Absences	49,640	30,585	80,225
Customer Deposits	590	217,336	217,926
Unearned Grant Revenue	313,516	-	313,516
Current Maturities of Long-term Debt	91,250	269,841	361,091
<i>Total Current Liabilities</i>	<u>599,353</u>	<u>628,816</u>	<u>1,228,169</u>
<i>Long-term Liabilities:</i>			
Long-term Debt (Net of Current)	1,611,449	11,270,891	12,882,340
Total Other Post Employment Benefits Liability	22,958	29,500	52,458
<i>Total Long-term Liabilities</i>	<u>1,634,407</u>	<u>11,300,391</u>	<u>12,934,798</u>
<b>TOTAL LIABILITIES</b>	<u>2,233,760</u>	<u>11,929,207</u>	<u>14,162,967</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	7,561	17,821	25,382
Deferred Other Post Employment Benefits Inflows	16,815	11,953	28,768
<b>TOTAL DEFERRED INFLOWS</b>	<u>24,376</u>	<u>29,774</u>	<u>54,150</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	51,050	2,886,634	2,937,684
Restricted for:			
Court	14,944	-	14,944
Net Pension Asset	143,272	149,312	292,584
Debt Service	529,153	179,482	708,635
Unrestricted (Deficit)	1,307,942	(99,102)	1,208,840
<b>TOTAL NET POSITION</b>	<u>\$ 2,046,361</u>	<u>\$ 3,116,326</u>	<u>\$ 5,162,687</u>

See accompanying notes to basic financial statements.

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

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Sanitation	\$ 436,304	\$ 622,382	\$ -	\$ -
Administration	510,379	708	-	-
Court	95,198	65,657	-	-
Police	897,872	61,264	902	68,677
Fire	44,003	-	-	-
Streets	281,061	81,743	-	-
Animal Control	7,377	-	-	-
Parks & Recreation	209,624	26,278	-	-
Library	99,397	1,390	8	-
Interest	59,273	-	-	-
<i>Total Governmental Activities</i>	2,640,488	859,422	910	68,677
<i>Business-Type Activities:</i>				
Utility Service	2,063,903	1,375,046	108,791	-
<b>Total Primary Government</b>	\$ 4,704,391	\$ 2,234,468	\$ 109,701	\$ 68,677
<b>General Revenues:</b>				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
General Grants and Donations				
Interest Income				
Miscellaneous				
<b>Total General Revenues</b>				
Transfers				
Change in Net Position				
<b>Net Position at Beginning of Year</b>				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net

Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ 186,078		\$ 186,078
(509,671)		(509,671)
(29,541)		(29,541)
(767,029)		(767,029)
(44,003)		(44,003)
(199,318)		(199,318)
(7,377)		(7,377)
(183,346)		(183,346)
(97,999)		(97,999)
(59,273)		(59,273)
<u>(1,711,479)</u>		<u>(1,711,479)</u>
	\$ (580,066)	(580,066)
		<u>(2,291,545)</u>
927,697	-	927,697
120,259	-	120,259
634,005	-	634,005
339,092	-	339,092
1,086	24,985	26,071
26,587	45,086	71,673
<u>2,048,726</u>	<u>70,071</u>	<u>2,118,797</u>
110,000	(110,000)	-
447,247	(619,995)	(172,748)
1,599,114	3,736,321	5,335,435
<u>\$ 2,046,361</u>	<u>\$ 3,116,326</u>	<u>\$ 5,162,687</u>

CITY OF POTEET  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	Major Funds		Other Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 947,487	\$ 218,049	\$ 492,697	\$ 1,658,233
Certificate of Deposit	114,849	-	-	114,849
Ad Valorem Taxes Receivable, Net	227,450	-	61,627	289,077
Other Receivables, Net	195,999	25,830	-	221,829
Prepaid Items	21,311	-	-	21,311
<b>TOTAL ASSETS</b>	<b>\$ 1,507,096</b>	<b>\$ 243,879</b>	<b>\$ 554,324</b>	<b>\$ 2,305,299</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 108,605	\$ -	\$ -	\$ 108,605
Accrued Wages	25,525	-	-	25,525
Unearned Revenues - ARPA	313,516	-	-	313,516
Deposits	590	-	-	590
<i>Total Liabilities</i>	<u>448,236</u>	<u>-</u>	<u>-</u>	<u>448,236</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Revenues - Property Taxes	227,450	-	61,627	289,077
<i>Fund Balances:</i>				
Nonspendable Prepaid Items	21,311	-	-	21,311
Restricted for:				
Court	-	-	14,944	14,944
Debt Service	-	-	477,753	477,753
Assigned for:				
Capital Improvements	-	243,879	-	243,879
Unassigned	810,099	-	-	810,099
<i>Total Fund Balances</i>	<u>831,410</u>	<u>243,879</u>	<u>492,697</u>	<u>1,567,986</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,507,096</b>	<b>\$ 243,879</b>	<b>\$ 554,324</b>	<b>\$ 2,305,299</b>

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, 2023

**TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** \$ 1,567,986

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. 1,753,749

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. (1,702,699)

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	143,272	
Pension Related Deferred Outflows	98,486	
Pension Related Deferred Inflows	<u>(7,561)</u>	234,197

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	(22,958)	
OPEB Related Deferred Outflows	3,690	
OPEB Related Deferred Inflows	<u>(16,815)</u>	(36,083)

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

Accrued Interest	(10,227)	
Accrued Compensated Absences	<u>(49,640)</u>	(59,867)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. 289,078

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 2,046,361

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, 2023

	Major Fund		Other Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 715,374	\$ -	\$ 201,193	\$ 916,567
Grants and Donations	6,930	401,402	-	408,332
Franchise Fees	120,259	-	-	120,259
Sales Taxes	634,005	-	-	634,005
Charges for Services	622,382	-	-	622,382
Fines and Forfeitures	86,778	-	3,876	90,654
Licenses, Permits, and Fees	36,147	-	-	36,147
Interest Income	1,086	-	-	1,086
Misc Income	72,208	81,743	1,037	154,988
<b>TOTAL REVENUES</b>	<u>2,295,169</u>	<u>483,145</u>	<u>206,106</u>	<u>2,984,420</u>
<b>EXPENDITURES</b>				
Current:				
Sanitation	435,205	-	-	435,205
Administration	428,492	-	-	428,492
Court	94,967	-	-	94,967
Police	842,982	-	644	843,626
Fire	42,574	-	-	42,574
Streets	67,427	-	-	67,427
Animal Control	7,377	-	-	7,377
Parks & Recreation	199,004	-	-	199,004
Library	92,147	-	-	92,147
Capital Outlay	4,620	440,308	-	444,928
Debt Service:				
Principal	-	-	107,036	107,036
Interest	-	-	64,861	64,861
<b>TOTAL EXPENDITURES</b>	<u>2,214,795</u>	<u>440,308</u>	<u>172,541</u>	<u>2,827,644</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	80,374	42,837	33,565	156,776
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	110,000	-	47,333	157,333
Transfer Out	(47,333)	-	-	(47,333)
<b>TOTAL OTHER FINANCING</b>	<u>62,667</u>	<u>-</u>	<u>47,333</u>	<u>110,000</u>
Net Change in Fund Balance	143,041	42,837	80,898	266,776
<b>BEGINNING FUND BALANCE</b>	688,369	201,042	411,799	1,301,210
<b>ENDING FUND BALANCE</b>	<u>\$ 831,410</u>	<u>\$ 243,879</u>	<u>\$ 492,697</u>	<u>\$ 1,567,986</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, 2023

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS**           \$    266,776

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	297,046	
Depreciation Expense	<u>(241,422)</u>	55,624

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	107,036	
Amortization of Premiums	5,128	
Change in Compensated Absences	(3,379)	
Change in Accrued Interest	<u>461</u>	109,246

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	23,439	
Other Postemployment Benefits	<u>(1,154)</u>	22,285

Governmental funds report the proceeds from disposals of capital assets. However,  
In the Statement of Activities, the proceeds are reduced by the net book value  
of the capital asset disposed. This amount represents the net book value of  
capital assets disposed. (17,813)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds. 11,129

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES**           \$    447,247

See accompanying notes to basic financial statements.

CITY OF POTEET  
STATEMENT OF NET POSITION – PROPRIETARY UTILITY FUND  
SEPTEMBER 30, 2023

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$	7,351
Accounts Receivable, Net		224,923
Prepaid Expenses		22,843
<i>Total Current Assets</i>		255,117

*Other Assets*

Restricted Cash - Debt Reserve		179,482
Restricted Cash - Unspent Bond Proceeds		2,907,671
Capital Assets, Net		11,519,695
Net Pension Asset		149,312
<i>Total Other Assets</i>		14,756,160
<b>TOTAL ASSETS</b>		<b>15,011,277</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Pension Related Outflows		56,006
Deferred Other Post Employment Benefit Related Outflows		8,024
<b>TOTAL DEFERRED OUTFLOWS</b>		<b>64,030</b>

**LIABILITIES**

*Current Liabilities:*

Accounts Payable		25,487
Accrued Wages		16,143
Accrued Interest		69,424
Accrued Compensated Absences		30,585
Customer Deposits		217,336
Current Portion of Long-term Debt		269,841
<i>Total Current Liabilities:</i>		628,816

*Noncurrent Liabilities:*

Long-term Debt, Net of Current Portion		11,270,891
Total Other Post Employment Benefit Liability		29,500
<i>Total Noncurrent Liabilities:</i>		11,300,391
<b>TOTAL LIABILITIES</b>		<b>11,929,207</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Pension Related Inflows		17,821
Deferred Other Post Employment Benefit Inflows		11,953
<b>TOTAL DEFERRED INFLOWS</b>		<b>29,774</b>

**NET POSITION:**

Net Investment in Capital Assets		2,886,634
Restricted for Net Pension Asset		149,312
Restricted for Debt Reserve		179,482
Unrestricted (Deficit)		(99,102)
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>3,116,326</b>

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, 2023

**OPERATING REVENUES**

Water Charges	\$ 905,994
Sewer Charges	394,504
Other Charges	74,548
<b>TOTAL OPERATING REVENUES</b>	<b>1,375,046</b>

**OPERATING EXPENSES**

*Administration:*

Personnel	235,148
Services	27,701
Operations	37,646

*Water:*

Personnel	286,996
Services	28,837
Operations and Maintenance	221,295

*Sewer:*

Personnel	182,087
Services	12,600
Operations and Maintenance	164,989

Depreciation

490,746

**TOTAL OPERATING EXPENSES** **1,688,045**

**OPERATING INCOME (LOSS)** **(312,999)**

**NONOPERATING REVENUES (EXPENSES)**

Grants	108,791
Other Revenues	45,086
Interest Income	24,985
Interest Expense	(205,397)
Bond Issue Costs	(170,461)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(196,996)</b>

Transfers Out **(110,000)**

**CHANGE IN NET POSITION** **(619,995)**

**BEGINNING NET POSITION** **3,736,321**

**ENDING NET POSITION** **\$ 3,116,326**

See accompanying notes to basic financial statements.

CITY OF POTEET  
STATEMENT OF CASH FLOWS – PROPRIETARY UTILITY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<b>Cash Flows From Operating Activities:</b>		
Cash Received From Customers	\$	1,427,043
Other Cash Receipts		45,086
Cash Paid to Employees for Services		(704,079)
Cash Paid to Suppliers for Goods and Services		(502,186)
<b>Net Cash Provided (Used) by Operating Activities</b>		<u>265,864</u>
 <b>Cash Flows From Capital-Related Financing Activities:</b>		
Transfers To Other Funds		(110,000)
Capital Grants Received		108,791
Proceeds from Issuance of Bonds & Notes		4,455,000
Premiums from Issuance of Bonds & Notes		215,461
Principal Payments on Bonds and Notes		(190,253)
Bond Issuance Costs Paid		(170,461)
Interest Paid		(167,053)
Purchase of Capital Assets		(1,617,314)
<b>Net Cash Provided (Used) by Capital-Related Financing Activities</b>		<u>2,524,171</u>
 <b>Cash Flows From Investing Activities:</b>		
Interest Income		24,985
<b>Net Cash Provided (Used) by Investing Activities</b>		<u>24,985</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
		2,815,020
 <b>Beginning Cash and Cash Equivalents</b>		
Unrestricted	242,484	
Restricted	<u>37,000</u>	<u>279,484</u>
 <b>Ending Cash and Cash Equivalents</b>		
Unrestricted	7,351	
Restricted	<u>3,087,153</u>	<u>\$ 3,094,504</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, 2023

**Reconciliation of Operating Income to Net Cash**

**Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (312,999)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	490,746
Other Revenues	45,086
(Increase) Decrease in Operating Assets and Deferred Outflows:	
Accounts Receivable (net)	44,622
Prepaid Expenses	(22,843)
Net Pension Asset	108,004
Deferred Pension Outflows	(55,150)
Deferred Other Post Employment Benefit Outflows	788
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	13,725
Accrued Wages	4,578
Accrued Compensated Absences	10,769
Customer Deposits	7,375
Total Other Post Employment Benefits Liability	(6,599)
Deferred Pension Inflows	(68,836)
Deferred Other Post Employment Benefit Inflows	6,598
<b>Total Adjustments to Reconcile Operating Activities</b>	<b>578,863</b>
<b>Net Cash Provided (Used) by</b>	
<b>Operating Activities</b>	<b>\$ 265,864</b>

See accompanying notes to basic financial statements.

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023

**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, Capital Projects Fund and Utility Fund meet the criteria as *major funds*.

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**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.

**Capital Projects Fund** holds street maintenance fees charged on utility bills and grants for capital purchases.

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**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, 2023

**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 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, 2022 and past due after January 31, 2023. 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, 2023

**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, 2023

**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, 2023

**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, 2023

**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, 2023, the City's invested in an FDIC insured certificate of deposit. The certificate of deposit is carried at amortized cost.

Also in 2023, the City opened an account with TexSTAR, a AAAM rated local government investment pool. The balance in TexSTAR (\$3,010,918) 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, 2022, upon which the fiscal 2023 levy was based, was \$114 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, 2023, was \$0.8406 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, 2023

**NOTE D – OTHER RECEIVABLES**

Other receivables for the City as of September 30, 2023 are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Nonmajor</u>	<u>Utility</u>
Sales and Mixed Beverage Tax	\$ 98,634	\$ -	\$ -	\$ -
Ad Valorem Taxes	252,722	-	68,475	-
Franchise Tax	15,665	-	-	-
Customer Charges	110,404	25,830	-	292,584
Allowance for Doubtful Accounts	<u>(53,976)</u>	<u>-</u>	<u>(6,848)</u>	<u>(67,661)</u>
 Total Other Receivables	 <u>\$ 423,449</u>	 <u>\$ 25,830</u>	 <u>\$ 61,627</u>	 <u>\$ 224,923</u>

**NOTE E – CAPITAL ASSETS**

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

	<u>Balance 10/1/2022</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2023</u>
<i>Governmental Activities</i>				
Land	\$ 81,917	\$ -	\$ -	\$ 81,917
Buildings and Improvements	1,692,737	-	-	1,692,737
Vehicles and Equipment	913,739	297,046	(62,859)	1,147,926
Infrastructure	<u>7,241,376</u>	<u>-</u>	<u>-</u>	<u>7,241,376</u>
	9,929,769	297,046	(62,859)	10,163,956
 Less Accumulated Depreciation				
Buildings and Improvements	(933,119)	(29,725)	-	(962,844)
Vehicles and Equipment	(766,932)	(71,627)	45,046	(793,513)
Infrastructure	<u>(6,513,780)</u>	<u>(140,070)</u>	<u>-</u>	<u>(6,653,850)</u>
	<u>(8,213,831)</u>	<u>(241,422)</u>	<u>45,046</u>	<u>(8,410,207)</u>
 Governmental Activities, Net	 <u>\$ 1,715,938</u>	 <u>\$ 55,624</u>	 <u>\$ (17,813)</u>	 <u>\$ 1,753,749</u>

Land and Construction in Progress are not depreciated.

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE E – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 28,871
Police	44,655
Streets	144,732
Parks and Recreation	10,355
Library	<u>12,809</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 241,422</u>

Capital asset activity in the business-type fund for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Additions	Disposals/ Transfers	Balance 9/30/2023
<i>Business-Type Activities</i>				
Land	\$ 8,958	\$ -	\$ -	\$ 8,958
Vehicles and Equipment	284,056	-	(73,591)	210,465
Utility System	15,656,414	-	-	15,656,414
Construction in Progress	<u>-</u>	<u>1,617,314</u>	<u>-</u>	<u>1,617,314</u>
	<u>15,949,428</u>	<u>1,617,314</u>	<u>(73,591)</u>	<u>17,493,151</u>
 Less Accumulated Depreciation				
Vehicles and Equipment	(177,659)	(26,492)	-	(204,151)
Utility System	<u>(5,378,642)</u>	<u>(464,254)</u>	<u>73,591</u>	<u>(5,769,305)</u>
	<u>(5,556,301)</u>	<u>(490,746)</u>	<u>73,591</u>	<u>(5,973,456)</u>
 Business-Type Activities, Net	 <u>\$ 10,393,127</u>	 <u>\$ 1,126,568</u>	 <u>\$ -</u>	 <u>\$ 11,519,695</u>

Land and construction in progress are not depreciated.

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE F – LONG-TERM DEBT**

Changes in long-term debt were as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023
<i>Governmental Activities:</i>				
Bonds and Notes	\$ 1,814,863	\$ -	\$ (112,164)	\$ 1,702,699
Compensated Absences	46,261	38,075	(34,696)	49,640
Net Pension Liability (Asset)	(301,685)	189,000	(30,587)	(143,272)
Total OPEB Liability	<u>32,638</u>	<u>5,089</u>	<u>(14,769)</u>	<u>22,958</u>
<i>Total Governmental</i>	<u>1,592,077</u>	<u>232,164</u>	<u>(192,216)</u>	<u>1,632,025</u>
<i>Business-Type Activities:</i>				
Bonds and Notes	7,064,719	4,670,461	(194,448)	11,540,732
Compensated Absences	19,816	25,631	(14,862)	30,585
Net Pension Liability (Asset)	(257,316)	161,204	(53,200)	(149,312)
Total OPEB Liability	<u>36,099</u>	<u>14,519</u>	<u>(21,118)</u>	<u>29,500</u>
<i>Total Business-Type</i>	<u>6,863,318</u>	<u>4,871,815</u>	<u>(283,628)</u>	<u>11,451,505</u>
<i>Total Government</i>	<u>\$ 8,455,395</u>	<u>\$ 5,103,979</u>	<u>\$ (475,844)</u>	<u>\$ 13,083,530</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.

*Tax Notes, Series 2017*

In December 2017, the City issued \$160 thousand in notes to finance construction of a new library. The notes are serviced by the general fund. The notes mature serially through 2024 and bear interest at 2.05%. The notes 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, 2023, \$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.

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

*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%.

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, 2023.

Changes in bonds, notes and certificates were as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
<i>Governmental Activities:</i>					
<i>Public Offerings:</i>					
General Obligation Series 2015	\$ 1,685,750	\$ -	\$ (60,500)	\$ 1,625,250	\$ 63,250
Unamortized Premiums	54,577	-	(5,128)	49,449	-
<i>Private Placements:</i>					
Tax Notes Series 2017	56,000	-	(28,000)	28,000	28,000
Notes Payable	18,536	-	(18,536)	-	-
<i>Total Governmental</i>	<u>1,814,863</u>	<u>-</u>	<u>(112,164)</u>	<u>1,702,699</u>	<u>91,250</u>
<i>Business-Type Activities:</i>					
<i>Public Offerings:</i>					
General Obligation Series 2015	\$ 1,379,250	\$ -	\$ (49,500)	\$ 1,329,750	\$ 51,750
Unamortized Premiums	44,654	215,461	(4,195)	255,920	-
Certificates Series 2023	-	4,455,000	-	4,455,000	85,000
<i>Private Placements:</i>					
Revenue Bonds Series 2016	1,692,000	-	(34,000)	1,658,000	34,000
Certificates Series 2020	3,806,996	-	(73,000)	3,733,996	74,000
Notes Payable	141,819	-	(33,753)	108,066	25,091
<i>Total Business-Type</i>	<u>7,064,719</u>	<u>4,670,461</u>	<u>(194,448)</u>	<u>11,540,732</u>	<u>269,841</u>
<i>Total Government</i>	<u>\$ 8,879,582</u>	<u>\$ 4,670,461</u>	<u>\$ (306,612)</u>	<u>\$ 13,243,431</u>	<u>\$ 361,091</u>

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**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	
2024	\$ 63,250	\$ 60,789	\$ 136,750	\$ 308,749	\$ 569,538
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
2029-2033	420,750	200,875	1,309,250	923,790	2,854,665
2034-2038	508,750	112,097	1,651,250	578,167	2,850,264
2039-2043	352,000	20,110	1,838,000	190,940	2,401,050
Total	<u>\$ 1,625,250</u>	<u>\$ 610,077</u>	<u>\$ 5,784,750</u>	<u>\$ 2,942,542</u>	<u>\$ 10,962,619</u>

Year Ending September 30,	Private Placement, Certificates, Bonds and Tax Notes				
	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2024	\$ 28,000	\$ 287	\$ 108,000	\$ 107,798	\$ 244,085
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
2029-2033	-	-	625,000	456,087	1,081,087
2034-2038	-	-	692,000	390,465	1,082,465
2039-2043	-	-	766,000	317,533	1,083,533
2044-2048	-	-	846,000	237,090	1,083,090
2049-2053	-	-	935,000	148,104	1,083,104
2054-2058	-	-	886,000	52,956	938,956
2059	-	-	76,996	1,361	78,357
Total	<u>\$ 28,000</u>	<u>\$ 287</u>	<u>\$ 5,391,996</u>	<u>\$ 2,119,358</u>	<u>\$ 7,539,641</u>

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

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

Year Ending September 30,	Private Placement Notes Payable		
	Business-Type		Total
	Principal	Interest	
2024	\$ 25,091	\$ 5,349	\$ 30,440
2025	26,333	4,107	30,440
2026	27,637	2,804	30,441
2027	29,005	1,436	30,441
Total	\$ 108,066	\$ 13,696	\$ 121,762

**NOTE H – PENSION PLAN**

**Plan Description**

The City participates as one of 935 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](http://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, 2023

**NOTE H – PENSION PLAN (CONTINUED)**

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to but Not Yet Receiving Benefits	43
Active employees	30
	86

**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, 2023, 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 2.36% and 2.86% in calendar years 2023 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2023 were \$31,105, and were equal to the required contributions.

**Actuarial Assumptions**

The City’s net pension liability (NPL) was measured as of December 31, 2022 and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2022 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, 2023

**NOTE H – PENSION PLAN (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

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

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

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE H – PENSION PLAN (CONTINUED)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.70%
Core Fixed Income	6%	4.90%
Non-Core Fixed Income	20%	8.70%
Other Public and Private Markets	12%	8.10%
Real Estate	12%	5.80%
Hedge Funds	5%	6.90%
Private Equity	10%	11.80%
	<u>100%</u>	

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

**Changes in the Net Pension Liability (Asset)**

The below schedule presents the changes in the Net Pension Liability (Asset) as of December 31, 2022:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 1,487,215	\$ 2,046,216	\$ (559,001)
Changes for the year:			
Service Cost	91,905	-	91,905
Interest	101,039	-	101,039
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	8,247	-	8,247
Changes of Assumptions	-	-	-
Contributions - Employer	-	32,250	(32,250)
Contributions - Employee	-	51,286	(51,286)
Net Investment Income	-	(149,013)	149,013
Benefit Payments, Including Refunds of Employee Contributions	(72,588)	(72,588)	-
Administrative Expense	-	(1,293)	1,293
Other Changes	-	1,544	(1,544)
Net Changes	<u>128,603</u>	<u>(137,814)</u>	<u>266,417</u>
Balance at December 31, 2022	<u>\$ 1,615,818</u>	<u>\$ 1,908,402</u>	<u>\$ (292,584)</u>

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE H – PENSION PLAN (CONTINUED)**

**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)	\$ (87,746)	\$ (292,584)	\$ (463,244)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2023, the City recognized pension expense of (\$3,932). Also as of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 4,262	\$ 25,382
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	128,540	-
Contributions Subsequent to the Measurement Date	21,690	-
	\$ 154,492	\$ 25,382

Deferred outflows of resources in the amount of \$21,690 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, 2023. 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,	
2023	\$ (15,975)
2024	31,689
2025	34,281
2026	57,425
	\$ 107,420

CITY OF POTEET  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2023

**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, 2022, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	7
Inactive Employees Entitled to but Not Yet Receiving Benefits	3
Active employees	30
	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,		
2023	0.40%	0.17%
2022	0.20%	0.12%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE I – OTHER POSTEMPLOYMENT BENEFIT (CONTINUED)**

These assumptions are summarized below:

**Methods and Assumptions Used to Determine Contribution Rates:**

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	4.05% (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. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2022, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2021	\$ 68,737
Changes for the year:	
Service Cost	6,462
Interest	1,313
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	1,655
Changes in Assumptions or Other Inputs	(24,478)
Benefit Payments	(1,231)
Net Changes	(16,279)
Balance at December 31, 2022	\$ 52,458

CITY OF POTEET  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**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 4.05% 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 3.05%	Discount Rate 4.05%	Discount Rate 5.05%
Total OPEB Liability	\$ 61,881	\$ 52,458	\$ 45,014

For the year ended September 30, 2023, the City recognized OPEB expense of \$3,959. Also as of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 8,826	\$ 20,260
Changes in Experience	1,326	8,508
Contributions Subsequent to the Measurement Date	1,562	-
	\$ 11,714	\$ 28,768

Deferred outflows of resources in the amount of \$1,562 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, 2023. 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,	
2023	\$ (4,374)
2024	(3,939)
2025	(5,103)
2026	(4,970)
2027	(230)
Thereafter	-
	\$ (18,616)

CITY OF POTEET  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2023

**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, 2023:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Utility Fund	General Fund	\$ 110,000	Administrative Overhead
General Fund	Debt Service	47,333	In support of debt service
		<u>\$ 157,333</u>	

**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.

Commitments

In February 2023, the City signed a contract for new water meters, equipment and park improvements for \$3.53 million. As of September 30, 2023 \$1.62 had been incurred on the contract, leaving an estimated commitment of \$1.91 million.



## 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, 2023

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 678,500	\$ 678,500	\$ 715,374	\$ 36,874
Grants and Donations	118,423	118,423	6,930	(111,493)
Franchise Fees	110,400	110,400	120,259	9,859
Sales Taxes	530,000	530,000	634,005	104,005
Charges for Services	600,000	600,000	622,382	22,382
Fines and Forfeitures	106,000	106,000	86,778	(19,222)
Licenses, Permits and Fees	42,900	42,900	36,147	(6,753)
Interest Income	-	-	1,086	1,086
Miscellaneous	48,594	48,594	72,208	23,614
<b>TOTAL REVENUES</b>	<u>2,234,817</u>	<u>2,234,817</u>	<u>2,295,169</u>	<u>60,352</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Sanitation	470,000	470,000	435,205	34,795
Administration	420,364	429,364	428,492	872
Court	108,568	105,568	94,967	10,601
Police	948,040	874,140	842,982	31,158
Fire	58,300	58,300	42,574	15,726
Streets	79,800	79,800	67,427	12,373
Animal Control	-	7,400	7,377	23
Parks & Recreation	141,549	199,549	199,004	545
Library	90,027	92,527	92,147	380
Capital Outlay	40,000	40,000	4,620	35,380
<b>TOTAL EXPENDITURES</b>	<u>2,356,648</u>	<u>2,356,648</u>	<u>2,214,795</u>	<u>141,853</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(121,831)	(121,831)	80,374	202,205
<b>OTHER FINANCING SOURCES</b>				
Transfers In	110,000	110,000	110,000	-
Transfers Out	-	-	(47,333)	(47,333)
<b>TOTAL OTHER FINANCING</b>	<u>110,000</u>	<u>110,000</u>	<u>62,667</u>	<u>(47,333)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(11,831)	(11,831)	143,041	154,872
<b>BEGINNING FUND BALANCE</b>	688,369	688,369	688,369	-
<b>ENDING FUND BALANCE</b>	<u>\$ 676,538</u>	<u>\$ 676,538</u>	<u>\$ 831,410</u>	<u>\$ 154,872</u>

CITY OF POTEET  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL – GENERAL FUND  
SEPTEMBER 30, 2023

**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 NINE 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%

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

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

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

\$ (178,507)    \$ (282,964)    \$ (323,603)    \$ (559,001)    \$ (292,584)

113.52%    119.70%    121.28%    137.59%    118.11%

\$ 970,898    \$ 1,251,557    \$ 1,153,461    \$ 940,186    \$ 1,025,727

-18.39%    -22.61%    -28.05%    -59.46%    -28.52%

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

CITY OF POTEET  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN  
 LAST FOUR 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
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%

Notes to Schedule of Contributions

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Changes in Benefit Terms	None
Changes in Actuarial Assumptions	
2019	New retirement and mortality assumptions
2015	Investment rate of return lowered from 7% to 6.75%

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

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

	Total OPEB Liability					
	2017	2018	2019	2020	2021	2022
Service Cost	\$ 3,656	\$ 4,078	\$ 3,782	\$ 4,498	\$ 4,043	\$ 6,462
Interest	1,531	1,640	1,878	1,769	1,373	1,313
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expected and Actual Experience	-	(680)	(1,595)	(9,568)	(4,682)	1,655
Changes in Assumptions or Other Inputs	3,789	(3,549)	9,703	8,705	1,983	(24,478)
Benefit Payments	(192)	(97)	(409)	(461)	(1,222)	(1,231)
Net Change in Total Pension Liability	8,784	1,392	13,359	4,943	1,495	(16,279)
Total OPEB Liability - Beginning	38,764	47,548	48,940	62,299	67,242	68,737
Total OPEB Liability - Ending	<u>\$ 47,548</u>	<u>\$ 48,940</u>	<u>\$ 62,299</u>	<u>\$ 67,242</u>	<u>\$ 68,737</u>	<u>\$ 52,458</u>
Covered Payroll	\$ 962,001	\$ 970,898	\$ 1,251,557	\$ 1,153,461	\$ 940,186	\$ 1,025,727
Total OPEB Liability as a Percentage of Covered Payroll	4.94%	5.04%	4.98%	5.83%	7.31%	5.11%

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:

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%

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.



## 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, 2023

	Special Revenue				Total
	Court Technology	Court Security	Police Forfeiture	Debt Service	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 10,150	\$ 4,794	\$ -	\$ 477,753	\$ 492,697
Ad Valorem Taxes Receivable, net	-	-	-	61,627	61,627
<b>TOTAL ASSETS</b>	<b>\$ 10,150</b>	<b>\$ 4,794</b>	<b>\$ -</b>	<b>\$ 539,380</b>	<b>\$ 554,324</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total Liabilities</i>	-	-	-	-	-
<i>Deferred Inflows of Resources:</i>					
Unavailable Ad Varorem Revenue	-	-	-	61,627	61,627
<i>Fund Balances:</i>					
Restricted for:					
Municipal Court	10,150	4,794	-	-	14,944
Debt Service	-	-	-	477,753	477,753
<i>Total Fund Balances</i>	<b>10,150</b>	<b>4,794</b>	<b>-</b>	<b>477,753</b>	<b>492,697</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,150</b>	<b>\$ 4,794</b>	<b>\$ -</b>	<b>\$ 539,380</b>	<b>\$ 554,324</b>

CITY OF POTEET  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE – NONMAJOR FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue			Debt Service	Total
	Court Technology	Court Security	Police Forfeiture		
<b>REVENUES</b>					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ 201,193	\$ 201,193
Charges for Services	-	-	-	-	-
Fines and Forfeitures	1,816	2,060	-	-	3,876
Miscellaneous	-	-	-	1,037	1,037
<b>TOTAL REVENUES</b>	<u>1,816</u>	<u>2,060</u>	<u>-</u>	<u>202,230</u>	<u>206,106</u>
<b>EXPENDITURES</b>					
Current:					
Police	-	-	644	-	644
Debt Service:					
Principal	-	-	-	107,036	107,036
Interest	-	-	-	64,861	64,861
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>644</u>	<u>171,897</u>	<u>172,541</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	1,816	2,060	(644)	30,333	33,565
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	-	-	-	47,333	47,333
Net Change in Fund Balance	1,816	2,060	(644)	77,666	80,898
<b>BEGINNING FUND BALANCE</b>	8,334	2,734	644	400,087	411,799
<b>ENDING FUND BALANCE</b>	<u>\$ 10,150</u>	<u>\$ 4,794</u>	<u>\$ -</u>	<u>\$ 477,753</u>	<u>\$ 492,697</u>

CITY OF POTEET  
 COMPARATIVE BALANCE SHEET – GENERAL FUND  
 SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 947,487	\$ 1,157,956
Certificate of Deposit	114,849	113,763
Ad Valorem Taxes Receivable	227,450	210,476
Other Receivables	195,999	214,621
Prepaid Items	21,311	68,303
<b>TOTAL ASSETS</b>	<b>\$ 1,507,096</b>	<b>\$ 1,765,119</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 108,605	\$ 90,725
Accrued Wages	25,525	17,127
Unearned Revenues - ARPA	313,516	755,032
Deposits	590	3,390
<i>Total Liabilities</i>	448,236	866,274
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	227,450	210,476
 <i>Fund Balances:</i>		
Nonsependable Prepaid Items	21,311	68,303
Unassigned	810,099	620,066
<i>Total Fund Balance</i>	831,410	688,369
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	 <b>\$ 1,507,096</b>	 <b>\$ 1,765,119</b>

CITY OF POTEET  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE – GENERAL FUND  
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 715,374	\$ 690,795
Grants and Donations	6,930	8,904
Franchise Fees	120,259	111,238
Sales Taxes	634,005	573,867
Charges for Services	622,382	598,793
Fines and Forfeitures	86,778	104,645
Licenses, Permits, and Fees	36,147	31,508
Interest Income	1,086	-
Misc Income	72,208	52,833
<b>TOTAL REVENUES</b>	<b>2,295,169</b>	<b>2,172,583</b>
<b>EXPENDITURES</b>		
<i>Current:</i>		
Sanitation	435,205	418,069
Administration	428,492	400,763
Court	94,967	67,789
Police	842,982	698,162
Fire	42,574	43,112
Streets	67,427	64,611
Animal Control	7,377	5,254
Parks & Recreation	199,004	86,245
Library	92,147	94,141
Capital Outlay	4,620	49,212
<b>TOTAL EXPENDITURES</b>	<b>2,214,795</b>	<b>1,927,358</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	80,374	245,225
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	110,000	105,000
Transfers Out	(47,333)	(53,326)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>62,667</b>	<b>51,674</b>
<b>NET CHANGE IN FUND BALANCE</b>	143,041	296,899
<b>BEGINNING FUND BALANCE</b>	688,369	391,470
<b>ENDING FUND BALANCE</b>	<b>\$ 831,410</b>	<b>\$ 688,369</b>

CITY OF POTEET  
 COMPARATIVE STATEMENTS OF NET POSITION – PROPRIETARY UTILITY FUND  
 SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 7,351	\$ 242,484
Accounts Receivable (net)	224,923	269,545
Prepaid Expenses	22,843	-
<i>Total Current Assets</i>	255,117	512,029
<i>Other Assets:</i>		
Restricted Cash - Debt Reserve	179,482	37,000
Restricted Cash - Unspent Bond Proceeds	2,907,671	-
Capital Assets (net)	11,519,695	10,393,127
Net Pension Asset	149,312	257,316
<i>Total Other Assets</i>	14,756,160	10,687,443
<b>TOTAL ASSETS</b>	15,011,277	11,199,472
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Other Post Employment Benefit Outflows	8,024	8,812
Deferred Pension Related Outflows	56,006	856
<b>TOTAL DEFERRED OUTFLOWS</b>	64,030	9,668
 <b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	25,487	11,762
Accrued Wages	16,143	11,565
Accrued Interest	69,424	26,885
Accrued Compensated Absences	30,585	19,816
Customer Deposits	217,336	209,961
Current Portion of Long-term Debt	269,841	190,253
<i>Total Current Liabilities:</i>	628,816	470,242
<i>Noncurrent Liabilities:</i>		
Long-term Debt (Net of Current Portion)	11,270,891	6,874,466
Net Other Post Employment Benefit Liability	29,500	36,099
<i>Total Noncurrent Liabilities:</i>	11,300,391	6,910,565
<b>TOTAL LIABILITIES</b>	11,929,207	7,380,807
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Related Inflows	17,821	86,657
Deferred Other Post Employment Benefits Inflows	11,953	5,355
<b>TOTAL DEFERRED INFLOWS</b>	29,774	92,012
 <b>NET POSITION</b>		
Net Investment in Capital Assets	2,886,634	3,328,408
Restricted for Debt Reserve	149,312	37,000
Restricted for Net Pension Asset	179,482	257,316
Unrestricted (Deficit)	(99,102)	113,597
<b>TOTAL NET POSITION</b>	\$ 3,116,326	\$ 3,736,321

CITY OF POTEET  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 – PROPRIETARY UTILITY FUND  
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>OPERATING REVENUES</b>		
Water Charges	\$ 905,994	\$ 953,940
Sewer Charges	394,504	404,848
Other Charges	74,548	71,478
<b>TOTAL OPERATING REVENUES</b>	1,375,046	1,430,266
<b>OPERATING EXPENSES</b>		
<i>Administration:</i>		
Personnel	235,148	121,806
Services	27,701	3,347
Operations	37,646	29,931
<i>Water:</i>		
Personnel	286,996	226,503
Services	28,837	7,909
Operations and Maintenance	221,295	242,805
<i>Sewer:</i>		
Personnel	182,087	114,922
Services	12,600	5,219
Operations and Maintenance	164,989	121,392
Depreciation	490,746	460,371
<b>TOTAL OPERATING EXPENSES</b>	1,688,045	1,334,205
<b>OPERATING INCOME (LOSS)</b>	(312,999)	96,061
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant Income	108,791	204,286
Miscellaneous Income	45,086	477
Interest Income	24,985	-
Interest Expense	(205,397)	(164,273)
Bond Issuance Costs	(170,461)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	(196,996)	40,490
Transfers In/Out	(110,000)	(105,000)
<b>NET INCOME</b>	(619,995)	31,551
<b>NET POSITION AT BEGINNING OF YEAR</b>	3,736,321	3,704,770
<b>NET POSITION AT END OF YEAR</b>	\$ 3,116,326	\$ 3,736,321



## 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, 2023, 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 12, 2024.

#### ***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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, we did identify a deficiency in internal control that we consider to be a material weakness.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

### ***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 12, 2024

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

**Finding 2023-001 (Repeat Finding)**

**Material Weakness in Internal Control over Financial Reporting—Insufficient Reconciliation and Financial Reporting Procedures**

*Criteria:* The City should dedicate sufficient resources to reconciling financial statement accounts, recording all transactions, and appropriately classifying these activities.

*Condition and Context:* Significant journal entries (both in number and size) were necessary as part of the audit process to record missing transactions and posting errors in the financial statements. Larger errors included:

- Duplicate debt service entries of \$161 thousand
- Duplicate capital asset purchases of \$110 thousand
- Unrecorded cashier's check for \$19 thousand
- Unrecorded electronic payments of:
  - o Credit card charges of \$20 thousand
  - o Fuel bills of \$30 thousand
  - o Credit card fees of \$11 thousand
  - o Health insurance payments in excess of amounts recorded by \$21 thousand
  - o Sales tax payments of \$13 thousand

*Cause:* Complete bank reconciliations that compare all activity clearing the bank to what has been recorded in the financial statements are not being performed monthly.

*Effect:* Financial statements provided to Council during the year to make management decisions may have been materially misstated.

*Recommendation:* Management and staff should review all of the adjustments necessary to correct the financial statements and monitor progress to a more timely and complete financial reporting process. An individual should be specifically tasked with performing complete, monthly bank reconciliations and another individual should review the reconciliations to ensure they are being completed timely and accurately. Management should obtain sufficient training on the best methods to use the accounting software.

*Views of Responsible Official(s) and Planned Corrective Actions:* Management has discussed the finding with their accountant and scheduled monthly, recurring meetings to discuss the financial statements and bank reconciliations. The City Secretary has been tasked with obtaining a copy of the monthly bank reconciliations from the accountant and reviewing them for accuracy.

