

**CITY OF CADDO MILLS, TEXAS**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended**  
**September 30, 2023**

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**CITY OF CADDO MILLS, TEXAS  
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Independent Auditor's Report

Honorable Mayor and  
Members of the City Council  
City of Caddo Mills, Texas

Members of the Council:

**Opinions**

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

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

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 on pages 4-8, and the budgetary comparison information on page 41, schedule of changes in net pension liability & related ratios on page 42, schedule of contributions on page 43, the schedule of changes in total OPEB liability & related ratios on page 44, and the notes to Texas Municipal Retirement System on page 45, which are required supplementary information (RSI) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Delinquent Taxes Receivable, Historical Schedule of Property Tax Rates, and Historical Schedule of Assessed Property Valuation, but does not include the basic financial statements and our auditor's reports thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2024, on our consideration of the City of Caddo Mills, Texas' 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 the City of Caddo Mills, Texas' internal control over financial reporting and compliance.



**WILF & HENDERSON, P.C.**  
Certified Public Accountants  
Texarkana, Texas

May 8, 2024

## Management Discussion and Analysis

As management for the City of Caddo Mills, Texas, we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. This discussion should be read in conjunction with the financial statements and related notes.

### **FINANCIAL HIGHLIGHTS:**

- Government-wide net position reported in the Statement of Activities is \$19,791,277. Of this amount \$12,661,842 is the net investment in capital assets, \$137,362 is restricted for debt service or municipal court use, \$1,753,064 is restricted for economic development, leaving \$5,239,009 of unrestricted net position.
- Government-wide net position increased by \$3,266,832.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund - \$333,070 increase  
Debt Service Fund - \$27,070 increase  
Capital Projects Fund - (\$613,757) decrease  
Other Governmental Funds - \$4,841 increase  
Water & Sewer Fund - \$1,754,860 increase

Comparative data is presented at the end of this section to facilitate further analysis of the City's financial activity.

### **USING THIS ANNUAL REPORT:**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and appropriations from the State. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

### **REPORTING THE CITY AS A WHOLE GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

#### **The Statement of Net Position and the Statement of Activities**

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in it. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities:

*Governmental Activities* - Most of the City's services are reported here, including, administration, judicial, public works, police, fire, code enforcement, parks and recreation and airport. Property taxes and state and federal grants finance most of these activities.

*Business-type Activities* - The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

### **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary use different accounting approaches.

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

*Proprietary Funds* - The Proprietary/Enterprise fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS:**

Net position serves as one useful indicator of a government's financial position. In the case of the City, the combined net position exceeded liabilities by \$19,791,277 at the close of fiscal year 2023.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:**

The net position of the City's activities increased by \$3,266,832 during 2023. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$5,239,009.

**City of Caddo Mills  
Statement of Net Position**

	Governmental Activities		Business-Type Activities		Component Unit	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 4,396,978	\$ 4,005,501	\$ 3,570,581	\$ 1,413,705	\$ 1,529,368	\$ 1,511,968
Restricted assets	4,590,803	5,029,772	4,509,968	5,042,258	-	-
Capital assets	2,805,577	1,830,295	15,618,392	14,711,802	223,696	-
Net pension asset	-	25,393	-	6,964	-	-
Total Assets	<u>11,793,358</u>	<u>10,890,961</u>	<u>23,698,941</u>	<u>21,174,729</u>	<u>1,753,064</u>	<u>1,511,968</u>
Deferred outflows of resources	115,630	63,528	31,711	17,422	-	-
Current liabilities	373,397	203,167	2,622,687	1,344,082	-	-
Long-term liabilities	5,060,095	5,708,918	9,357,070	9,755,000	-	-
Net pension and OPEB liability	102,529	44,769	28,118	12,277	-	-
Total Liabilities	<u>5,536,021</u>	<u>5,956,854</u>	<u>12,007,875</u>	<u>11,111,359</u>	<u>-</u>	<u>-</u>
Deferred inflow of resources	51,406	51,759	6,125	14,191	-	-
Net Position:						
Net investment in capital assets	2,065,298	1,054,950	10,596,544	9,956,802	-	-
Restricted	112,527	64,720	24,835	24,052	1,753,064	1,511,968
Unrestricted	4,143,736	3,826,206	1,095,273	85,747	-	-
Total Net Position	<u>\$ 6,321,561</u>	<u>\$ 4,945,876</u>	<u>\$ 11,716,652</u>	<u>\$ 10,066,601</u>	<u>\$ 1,753,064</u>	<u>\$ 1,511,968</u>



**City of Caddo Mills  
Statement of Activities**

	Governmental Activities		Business-Type Activities		Component Unit	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$ 976,371	\$ 595,025	\$ 3,903,147	\$ 2,434,033	\$ -	\$ -
Operating Grants and Contributions	9,887	929,900	-	104,553	-	-
Capital Grants and Contributions	463,110	-	158,526	386,424	-	-
General Revenues						
Property taxes	2,085,520	1,395,567	-	-	-	-
Other taxes	723,350	670,202	-	-	331,096	306,757
Investment earnings	4,914	20,385	1,453	946	33,413	5,874
Miscellaneous	160,085	193,473	-	-	29,899	22,500
Impact fees	-	-	689,919	2,068,932	-	-
Total General Revenues	4,423,237	3,804,552	4,753,045	4,994,888	394,408	335,131
Expenses						
Administration	1,007,420	804,764	-	-	-	-
Building inspections	223,970	203,937	-	-	-	-
Judicial	63,323	57,453	-	-	-	-
Police department	925,339	671,642	-	-	-	-
Fire protection	227,465	106,243	-	-	-	-
Airport	27,368	105,148	-	-	-	-
Public works	24,774	29,162	-	-	-	-
Safe schools program	-	79,689	-	-	-	-
Parks & recreation	111,169	-	-	-	-	-
Grant expenditures	8,897	-	-	-	-	-
Bond issuance costs	-	104,809	-	-	-	-
Interest and fiscal charges	92,962	145,277	-	-	-	-
Water, sewer and garbage	-	-	3,437,859	2,834,091	-	-
CMEDC	-	-	-	-	153,312	75,411
Total Expenses	2,712,687	2,308,124	3,437,859	2,834,091	153,312	75,411
Other Sources (Uses)						
Operating transfers in (out)	(439,674)	(460,805)	439,674	460,805	-	-
Total Other Sources (Uses)	(439,674)	(460,805)	439,674	460,805	-	-
Increase (Decrease) in Net Position	1,270,876	1,035,623	1,754,860	2,621,602	241,096	256,720
Beginning Net Position	4,945,876	3,910,253	10,066,601	7,444,999	1,511,968	1,255,248
Prior Period Adjustment	104,809	-	(104,809)	-	-	-
Ending Net Position	\$ 6,321,561	\$ 4,945,876	\$ 11,716,652	\$ 10,066,601	\$ 1,753,064	\$ 1,511,968

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

As the City completed the year, its governmental funds reported a combined fund balance of \$8,628,979 and proprietary funds reported a net position of \$11,716,652 for a decrease of (\$248,776) and an increase of \$1,754,860, respectively.

**CAPITAL ASSET AND DEBT ADMINISTRATION:**

*Capital Assets* - The City's capital assets reported in governmental activities and business-type activities was \$2,805,577 and \$15,618,392, respectively or \$18,423,969 in total government-wide. Capital assets include land, construction in progress, buildings and improvements, equipment and vehicles, net of accumulated depreciation. Net changes in capital assets in governmental activities and business-type activities were \$975,282 increase and \$906,590 increase, respectively after current year depreciation expense of \$207,587 (governmental activities) and \$624,369 (business-type activities). Additional information on the City's capital assets can be found in note 5 to the financial statements.

*Long-term Debt* - At year-end the City had \$5,060,095 in bonds outstanding in governmental activities – a decrease of (\$544,014). At year-end the City has \$9,357,070 in bonds outstanding in business-type activities – a decrease of (\$502,739). Additional information on the City's long-term debt can be found in note 6 to the financial statements. Additionally, a prior period adjustment was recorded in order to move Certification of Obligation, Series 2022 from governmental activities to proprietary activities.

**BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:**

The development with DR Horton Trailstone subdivision is 60% completed. Trailstone Phase 6 is opening in May 2024 and Phase 7 and Phase 8 will open in January 2025. CMISD has broken ground on a new elementary school in the Trailstone subdivision. Inspections have begun on the \$290,000,000 school bond that was passed in May 2023. The Stonehaven subdivision Phase 1 is completed and Phase 2 is 80% completed. The Fox Landing and Brushy Creek subdivisions have broken ground and construction has begun. There are 5 new developers that development agreements are in the works. The City Council has engaged in the City lakes parks recreation Phase 1. The City has been approved for Texas Parks and Wildlife (TPWD) matching grant of \$750,000 that will begin funding in October 2024.

**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 show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Finance Manager at (903) 527-3116.

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## **Basic Financial Statements**

City of Caddo Mills, Texas  
Statement of Net Position  
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total Primary Government	
<b>ASSETS</b>				
Cash and cash equivalents	3,826,179	\$ 3,432,296	\$ 7,258,475	\$ 123,499
Certificates of deposit	-	-	-	1,348,931
Property taxes receivable, net	51,986	-	51,986	-
Sales taxes receivable	113,600	-	113,600	56,800
Fines receivable	17,263	-	17,263	-
Accounts receivable, net	-	497,177	497,177	138
Lease receivable	29,058	-	29,058	-
Interfund balances	358,892	(358,892)	-	-
<b>Restricted Assets:</b>				
Cash and cash equivalents - capital projects	4,459,060	4,467,693	8,926,753	-
Cash and cash equivalents - debt service	88,578	42,275	130,853	-
Cash and cash equivalents - municipal court	43,165	-	43,165	-
<b>Capital assets:</b>				
Non-depreciable capital assets	1,113,158	5,448,131	6,561,289	223,696
Capital assets, net	1,692,419	10,170,261	11,862,680	-
<b>Total Assets</b>	<b>11,793,358</b>	<b>23,698,941</b>	<b>35,492,299</b>	<b>1,753,064</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows-related to pensions	103,634	28,422	132,056	-
Deferred outflows-related to OPEB	11,996	3,289	15,285	-
<b>Total Deferred Outflows of Resources</b>	<b>115,630</b>	<b>31,711</b>	<b>147,341</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	102,097	150,004	252,101	-
Retainage payable	21,899	118,221	140,120	-
Construction payable	117,345	14,250	131,595	-
Accrued salaries, benefits and compensated absences	36,417	26,365	62,782	-
Accrued interest	54,062	17,440	71,502	-
Unearned revenue	-	2,040,041	2,040,041	-
Meter deposits payable	-	256,366	256,366	-
Accrued compensated absences	41,577	-	41,577	-
Net pension liability	72,844	19,978	92,822	-
Net OPEB liability	29,685	8,140	37,825	-
<b>Long-term liabilities:</b>				
Bond premium	385,458	-	385,458	-
Bonds payable - due within one year	175,000	455,000	630,000	-
Notes payable - due within one year	32,611	-	32,611	-
Bonds payable - due in more than one year	3,940,000	8,902,070	12,842,070	-
Notes payable - due in more than one year	527,026	-	527,026	-
<b>Total Liabilities</b>	<b>5,536,021</b>	<b>12,007,875</b>	<b>17,543,896</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows-leases	29,058	-	29,058	-
Deferred inflows-related to pensions	1,907	519	2,426	-
Deferred inflows-related to OPEB	20,441	5,606	26,047	-
<b>Total Deferred Inflows of Resources</b>	<b>51,406</b>	<b>6,125</b>	<b>57,531</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,065,298	10,596,544	12,661,842	-
Restricted for debt service	69,362	24,835	94,197	-
Restricted for municipal court	43,165	-	43,165	-
Restricted for economic development	-	-	-	1,753,064
Unrestricted	4,143,736	1,095,273	5,239,009	-
<b>Total Net Position</b>	<b>6,321,561</b>	<b>\$ 11,716,652</b>	<b>\$ 18,038,213</b>	<b>\$ 1,753,064</b>

The accompanying notes are an integral part of these financial statements

City of Caddo Mills, Texas  
Statement of Activities  
Year Ended September 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Program Revenues		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
	Charges For Services	Operating Grants and Contributions					
<b>Governmental activities:</b>	<b>Expenses</b>						
Administration	\$ 1,007,420	\$ -	\$ 463,110	\$ (544,310)	-	\$ (544,310)	\$ -
Building inspections	223,970	-	-	(223,970)	-	(223,970)	-
Judicial	63,323	-	-	(63,323)	-	(63,323)	-
Police department	925,339	160,089	-	(765,250)	-	(765,250)	-
Fire protection	227,465	35,431	-	(192,034)	-	(192,034)	-
Parks & recreation	111,169	-	-	(111,169)	-	(111,169)	-
Airport	27,368	-	9,887	(17,481)	-	(17,481)	-
Public works	24,774	780,851	-	756,077	-	756,077	-
Grant expenditures	8,897	-	-	(8,897)	-	(8,897)	-
Interest and fiscal charges	92,962	-	-	(92,962)	-	(92,962)	-
<b>Total governmental activities</b>	<b>2,712,687</b>	<b>976,371</b>	<b>9,887</b>	<b>(1,263,319)</b>	<b>-</b>	<b>(1,263,319)</b>	<b>-</b>
<b>Business-type activities:</b>							
Water and sewer services	3,437,859	3,903,147	-	-	623,814	623,814	-
<b>Total business-type activities</b>	<b>3,437,859</b>	<b>3,903,147</b>	<b>-</b>	<b>-</b>	<b>623,814</b>	<b>623,814</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 6,150,546</b>	<b>\$ 4,879,518</b>	<b>\$ 9,887</b>	<b>\$ (1,263,319)</b>	<b>\$ 623,814</b>	<b>\$ (639,505)</b>	<b>\$ -</b>
<b>Component Unit:</b>	<b>153,312</b>	<b>-</b>	<b>-</b>	<b>(153,312)</b>	<b>-</b>	<b>(153,312)</b>	<b>(153,312)</b>
Economic Development Corporation	\$ 153,312	\$ -	\$ -	\$ (153,312)	\$ -	\$ (153,312)	\$ (153,312)
<b>Total component unit</b>	<b>\$ 153,312</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (153,312)</b>	<b>\$ -</b>	<b>\$ (153,312)</b>	<b>\$ (153,312)</b>
<b>General revenues:</b>							
Ad valorem taxes				2,085,520	-	2,085,520	-
Sales taxes				662,176	-	662,176	331,096
Franchise taxes				61,174	-	61,174	-
Miscellaneous income and contributions				160,085	-	160,085	29,899
Unrestricted investment earnings				4,914	1,453	6,367	33,413
Impact fees				-	689,919	689,919	-
Transfers				(439,674)	439,674	-	-
<b>Total general revenues and transfers</b>				<b>2,534,195</b>	<b>1,131,046</b>	<b>3,665,241</b>	<b>394,408</b>
<b>Change in net position</b>				<b>1,270,876</b>	<b>1,754,860</b>	<b>3,025,736</b>	<b>241,096</b>
<b>Net position-beginning</b>				<b>4,945,876</b>	<b>10,066,601</b>	<b>15,012,477</b>	<b>1,511,968</b>
<b>Prior period adjustment</b>				<b>104,809</b>	<b>(104,809)</b>	<b>-</b>	<b>-</b>
<b>Net position-ending</b>				<b>\$ 6,321,561</b>	<b>\$ 11,716,652</b>	<b>\$ 18,038,213</b>	<b>\$ 1,753,064</b>

The accompanying notes are an integral part of these financial statements

**CITY OF CADDO MILLS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 3,791,687	\$ -	\$ -	\$ 34,492	\$ 3,826,179
Cash and cash equivalents - restricted	43,165	88,578	4,459,060	-	4,590,803
Sales taxes receivable	113,600	-	-	-	113,600
Fines receivable	17,263	-	-	-	17,263
Property taxes receivable, net	17,140	34,846	-	-	51,986
Due from other funds	376,100	-	-	-	376,100
Total Assets	<u>\$ 4,358,955</u>	<u>\$ 123,424</u>	<u>\$ 4,459,060</u>	<u>\$ 34,492</u>	<u>\$ 8,975,931</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	102,097	-	-	-	102,097
Construction payable	-	-	117,345	-	117,345
Retainage payable	-	-	21,899	-	21,899
Due to other funds	-	-	-	17,208	17,208
Accrued salaries and benefits	36,417	-	-	-	36,417
Total Liabilities	<u>138,514</u>	<u>-</u>	<u>139,244</u>	<u>17,208</u>	<u>294,966</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unavailable revenue - property taxes	17,140	34,846	-	-	51,986
Total Deferred Inflows of Resources	<u>17,140</u>	<u>34,846</u>	<u>-</u>	<u>-</u>	<u>51,986</u>
<b><u>FUND BALANCES</u></b>					
Restricted for:					
Debt Service	-	88,578	-	-	88,578
Municipal Court	43,165	-	-	-	43,165
Capital improvements	-	-	4,319,816	-	4,319,816
Assigned for:					
Airport	-	-	-	17,284	17,284
Unassigned	4,160,136	-	-	-	4,160,136
Total Fund Balances	<u>4,203,301</u>	<u>88,578</u>	<u>4,319,816</u>	<u>17,284</u>	<u>8,628,979</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,358,955</u>	<u>\$ 123,424</u>	<u>\$ 4,459,060</u>	<u>\$ 34,492</u>	<u>\$ 8,975,931</u>

The accompanying notes are an integral part of these financial statements.

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

<b>Total Fund Balances - Governmental Funds</b>	<b>8,628,979</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,050,676 and the accumulated depreciation was (\$2,220,381). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, the balances of these liabilities were (\$5,636,730). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to (decrease) net position.	(3,806,435)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays of \$1,182,869 and debt principal payments of \$544,014 is to increase net position.	1,726,883
The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(207,587)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$72,844), a deferred resource inflow in the amount of (\$1,907), and a deferred resource outflow in the amount of \$103,634. This resulted in an increase in net position.	28,883
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of (\$29,685), a deferred resource inflow in the amount of (\$20,441), and a deferred resource outflow in the amount of \$11,996. This resulted in a (decrease) in net position.	(38,130)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of debt as an increase in debts payable, recognizing the liabilities associated with maturing long-term debt and interest and recognize prior period adjustment to move debt from Governmental to Water & Sewer. The net effect of these reclassifications and recognitions is to (decrease) net position.	<u>(11,032)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>6,321,561</u></u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CADDO MILLS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES:</b>					
Ad valorem taxes	\$ 669,348	\$ 1,418,853	\$ -	\$ -	\$ 2,088,201
Franchise taxes	61,174	-	-	-	61,174
Sales tax	662,176	-	-	-	662,176
Impound income	35,431	-	-	-	35,431
Permits and fees	780,851	-	-	-	780,851
Fines	160,089	-	-	-	160,089
Grant revenue	31,280	-	-	9,887	41,167
Developer contributions	419,942	-	-	-	419,942
Donations and other income	129,390	-	-	30,695	160,085
Interest	2,371	150	2,386	7	4,914
<b>Total Revenues</b>	<b>2,952,052</b>	<b>1,419,003</b>	<b>2,386</b>	<b>40,589</b>	<b>4,414,030</b>
<b>EXPENDITURES:</b>					
Administration	928,943	-	-	-	928,943
Building Inspections	222,095	-	-	-	222,095
Judicial	63,445	-	-	-	63,445
Police department	841,379	-	-	-	841,379
Fire protection	209,306	-	-	-	209,306
Parks & recreation	102,294	-	-	-	102,294
Airport	-	-	-	25,183	25,183
Grant expenditures	-	-	-	8,897	8,897
Capital Outlay	468,968	-	616,143	97,758	1,182,869
<b>Debt Service:</b>					
Principal retirement	502,611	-	-	-	502,611
Interest and fiscal charges	147,998	-	-	-	147,998
<b>Total Expenditures</b>	<b>3,487,039</b>	<b>-</b>	<b>616,143</b>	<b>131,838</b>	<b>4,235,020</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(534,987)</b>	<b>1,419,003</b>	<b>(613,757)</b>	<b>(91,249)</b>	<b>179,010</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers (out)	(96,090)	(1,391,933)	-	-	(1,488,023)
Transfers in	952,259	-	-	96,090	1,048,349
Capital contributions	11,888	-	-	-	11,888
<b>Net Other Financing Sources (Uses)</b>	<b>868,057</b>	<b>(1,391,933)</b>	<b>-</b>	<b>96,090</b>	<b>(427,786)</b>
<b>Net Change in Fund Balances</b>	<b>333,070</b>	<b>27,070</b>	<b>(613,757)</b>	<b>4,841</b>	<b>(248,776)</b>
<b>Fund Balance, October 1</b>	<b>3,870,231</b>	<b>61,508</b>	<b>9,933,573</b>	<b>12,443</b>	<b>13,877,755</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>(5,000,000)</b>	<b>-</b>	<b>(5,000,000)</b>
<b>Fund Balance, October 1, restated</b>	<b>3,870,231</b>	<b>61,508</b>	<b>4,933,573</b>	<b>12,443</b>	<b>8,628,979</b>
<b>Fund Balance, September 30</b>	<b>\$ 4,203,301</b>	<b>\$ 88,578</b>	<b>\$ 4,319,816</b>	<b>\$ 17,284</b>	<b>\$ 8,628,979</b>

The accompanying notes are an integral part of these financial statements.



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

**Total Net change in Fund Balances - Governmental Funds** **\$ (248,776)**

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays of \$1,182,869 and debt principal payments of \$544,014 is to increase net position. 1,726,883

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position. (207,587)

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in the ending net position to increase in the amount of \$48,053. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$42,544). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by (\$4,809). The result of these changes is to increase the change in net position. 700

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in the ending net position to increase in the amount of \$1,963. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$1,009). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense (decreased) the change in net position by (\$3,293). The result of these changes is to (decrease) the change in net position. (2,339)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of new debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position. 1,995

**Change in Net Position - Governmental Activities** **\$ 1,270,876**

The accompanying notes are an integral part of these financial statements.

**CITY OF CADDO MILLS, TEXAS**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2023**

	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer</b>
	<b>Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,432,296
Restricted Cash and cash equivalents - interest and sinking	42,275
Restricted Cash and cash equivalents - capital projects	4,467,693
Accounts receivable, net	497,177
Total current assets	8,439,441
Noncurrent assets:	
Capital Assets	
Nondepreciable land	181,825
Nondepreciable construction in progress	5,266,306
Depreciable capital assets, net	10,170,261
Capital assets, net	15,618,392
<b>Total assets</b>	<b>24,057,833</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows- related to pensions	28,422
Deferred outflows- related to OPEB	3,289
<b>Total deferred outflows of resources</b>	<b>31,711</b>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 150,004
Retainage payable	118,221
Construction payable	14,250
Due to other funds	358,892
Accrued salaries and benefits	26,365
Accrued interest payable	17,440
Unearned revenue - Impact Fees	2,040,041
Total current liabilities	2,725,213
Noncurrent liabilities:	
Meter deposits payable	256,366
Net pension liability	19,978
Net OPEB liability	8,140
Bonds payable - current	455,000
Bonds payable - long-term	8,902,070
Total non-current liabilities	9,641,554
<b>Total liabilities</b>	<b>12,366,767</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows- related to pensions	519
Deferred inflows- related to OPEB	5,606
<b>Total deferred inflows of resources</b>	<b>6,125</b>
 <b>NET POSITION</b>	
Net investment in capital assets	10,596,544
Restricted for debt service	24,835
Unrestricted	1,095,273
<b>Total Net Position</b>	<b>\$ 11,716,652</b>

The accompanying notes are an integral part of these financial statements.

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

	<b>Enterprise Fund</b>
	<b>Water and Sewer</b>
<b>Operating revenues:</b>	
Water sales	\$ 2,395,975
Sewer sales	777,222
Sanitation fees	493,005
Late fees	58,452
Other revenues	178,493
<b>Total Operating Revenues</b>	<b>3,903,147</b>
<b>Operating expenses:</b>	
Salaries and employee benefits	657,669
Water purchases	711,299
Sanitation contract	316,572
Repairs and maintenance	482,592
Fuel and oil	28,973
Utilities and telephone	84,361
Depreciation	624,369
Other expenses	207,106
<b>Total Operating Expenses</b>	<b>3,112,941</b>
<b>Operating Income (loss)</b>	<b>790,206</b>
<b>Non-operating revenues (expenses):</b>	
Impact fees	689,919
Interest income	1,453
Interest and fiscal charges	(324,918)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>366,454</b>
<b>Income (loss) before contributions and transfers</b>	<b>1,156,660</b>
Capital grants	158,526
Transfers in	439,674
<b>Change in Net Position</b>	<b>1,754,860</b>
<b>Net Position, October 1</b>	<b>10,066,601</b>
<b>Prior Period Adjustment</b>	<b>(104,809)</b>
<b>Net Position, October 1, Restated</b>	<b>9,961,792</b>
<b>Net Position, September 30</b>	<b>\$ 11,716,652</b>

The accompanying notes are an integral part of these financial statements.

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

	<b>Enterprise Fund</b>
	<b>Water and Sewer</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 3,734,022
Cash paid to suppliers	(164,427)
Cash paid to employees	(657,693)
Net cash provided (used) by operating activities	2,911,902
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers (to) from other funds	439,674
Net cash provided for noncapital financing activities	439,674
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital grants and contributions	93,137
Proceeds from impact fees	689,919
Proceed from bond issue	5,075,300
Acquisition of capital assets	(1,530,959)
Principal payments - bonds payable	(475,000)
Interest paid on debt	(325,684)
Net cash provided (used) by capital and related financing activities	3,526,713
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on deposits and investments	1,453
Net cash provided (used) by investing activities	1,453
Net increase (decrease) in cash and cash equivalents	6,879,742
Cash and cash equivalents, October 1	1,062,522
Cash and cash equivalents, September 30	\$ 7,942,264
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net operating income (loss)	\$ 790,206
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	652,108
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	(169,125)
Increase (decrease) in accounts payable	(220,705)
Increase (decrease) in retainage payable	69,946
Increase (decrease) in construction payable	(338,538)
Increase (decrease) in interfund accounts	358,892
Increase (decrease) in accrued salaries	(474)
Increase (decrease) in unearned revenue	1,719,039
Increase (decrease) in meter deposits	50,103
Increase (decrease) in net pension plan assets, outflows and inflows	(192)
Increase (decrease) in net OPEB plan assets, outflows and inflows	642
Net cash provided by operating activities	\$ 2,911,902

The accompanying notes are an integral part of these financial statements.

**City of Caddo Mills, Texas**  
**Notes to Financial Statements**  
**September 30, 2023**

**1. Introduction and Summary of Significant Accounting Policies**

The financial statements of the City of Caddo Mills, Texas, and its component unit, Caddo Mills Economic Development Corporation, collectively identified as “the City” have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ending September 30, 2023.

New Accounting Pronouncement:

The City implemented Governmental Accounting Standards Board (GASB) Number 96 “*Subscription-Based Information Technology Arrangements (SBITAs)*”. GASB Statement No. 96 requires recognition of certain right-to-use subscription assets and liabilities for SBITAs in the financial statements. The City did not have any material SBITAs individually or in the aggregate for the fiscal year.

**(A) Reporting Entity and Related Organizations**

The City is a municipal corporation governed by an elected mayor and City Council. The City provides general administration, public works, police and judicial, and community development services to its residents. The City Council contracts with a City Manager to manage the operations of the City.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has the primary accountability for fiscal matters. The City is not included in any other governmental “reporting entity” as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2023:

Discretely Presented Component Unit:

Caddo Mills Economic Development Corporation (EDC) - EDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the EDC board for cause. EDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Caddo Mills, Texas. Financial statements for EDC may be obtained by contacting City Hall.

EDC is reported as a discretely presented component unit in the government-wide financial statements.

The Caddo Mills EDC does not prepare separate financial statements.

## **(B) Government-Wide and Fund Financial Statements**

### *Government-wide financial statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

### *Fund financial statements*

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported in separate columns with composite columns for non-major funds.

## **(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions unless they conflict with GASB pronouncements.

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units are also prepared using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest payments and compensated absences which are reported as expenditures when they are due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary funds are charges to customers for water and sewer sales or services and solid waste disposal fees. Principal operating expenses are the costs of providing these goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

#### **(D) Fund Types and Major Funds**

*Governmental Funds* - The City reports the following major governmental funds:

*General Fund* - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

*Debt Service Fund* - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

*Capital Projects Fund* - accounts for the proceeds of a bond issue that will be utilized for capital improvement.

Additionally, the City maintains the following non-major governmental funds:

*Airport Fund* - accounts for the revenues and expenditures of the City's local airport.

*Proprietary Funds* - The City reports the following major proprietary funds:

*Water and Sewer Fund* - accounts for the operating activities of the City's water, sewer, and environmental waste utility services.

#### **(E) Assets, Liabilities and Net Assets or Equity**

##### **Cash and Investments**

The City maintains cash bank accounts which are shared by the various governmental and proprietary funds. In addition, non-pooled bank accounts cash bank accounts are separately held and reflected in the respective individual funds. These pooled and non-pooled cash bank accounts are displayed on its respective balance sheet as Acash and cash equivalents.

Investments are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The fair value of investments is determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value. The City did not own any nationally traded securities or long term investments during the current fiscal year, but the City's policy for reporting assets such as these would be at fair value on the balance sheet date.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

### **Inventories and Prepaid Items**

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaid items are similarly reported in government-wide and fund financial statements.

### **Lease Receivable**

The City's lease receivable is measured at the present value to lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the lease receivable. The deferred inflow is reduced annually by the lease revenue received.

### **Proprietary Fund Receivables**

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Proprietary Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using a percentage of total receivables.

### **Property Tax Receivable, Allowance, and Property Tax Revenue**

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is expected to be received. Over time substantially all property taxes are collected.

The City's full year property tax calendar is as follows:

- October 1: Full year tax levy assessed for the current fiscal year-taxes are due and payable.
- January 1: Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.



- February 1: Penalty and interest charges begin to accrue on unpaid past due taxes.
- July 1: Taxes become delinquent and are subject to attorney fees incurred for collection.

*Allowance for Uncollectible Taxes*

The City records an allowance for uncollectible property taxes in order to estimate the amount of taxes that will ultimately prove to be uncollectible. Management has determined that an allowance of 10% allowance for uncollectible delinquent property taxes totaling \$5,775 should be adequate to provide for uncollectible property taxes. No provisions are made for uncollectible sales tax receivables or grants receivable as management estimates that these amounts will be fully collectible.

*Property Tax Revenue*

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

The Hunt County Appraisal District bills and collects property taxes for the City of Caddo Mills. The State of Texas Constitution limits the City’s ad valorem tax rate for all purposes to \$1.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2023, was levied using a rate of \$0.50 per on hundred dollars of assessed valuation. Taxes were allocated between the Maintenance of Operations \$0.16 and Debt Service \$0.34. Based on 100% of estimated market value, the City has a tax margin of \$1.00 per \$100 valuation. The City could raise an additional \$4,160,744 per year from the present assessed valuation of \$416,074,400 before the limit is reached. The amount assessed for the 2023 tax roll was \$2,080,372.

**Capital Assets, Depreciation, and Amortization**

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if donated, at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty on the acquisition date. These assets are comprehensively reported in the government-wide financial statements. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Road Infrastructure	15-20
Water & Sewer Infrastructure & Rights	20-40
Vehicles	5
Furniture, Machinery, and Equipment	5

## **Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issuance costs are expensed when incurred.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

## **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **Fund Equity**

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

*Non-spendable* - amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

*Restricted* - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

*Committed* - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

*Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council. The City Council delegates the responsibility to assign funds to the City Manager or other designee as determined by the Council.

*Unassigned* - all other spendable amounts in the general fund.

When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

## **Compensated Absences**

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave and comp time is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment. Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

**(F) Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Worker's Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

**(G) Estimates**

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

**(H) Deferred Inflows and Outflows of Resources**

Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has deferred inflows of resources related to property tax revenue, the City's defined benefit pension plan, and the City's postemployment benefits other than pensions (OPEB) at year-end that are not available for recognition.

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows that relate to a deferred loss on bond refunding, the City's defined benefit pension plan, and the City's postemployment benefits other than pensions (OPEB) at year-end.

**2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

The City Manager and the City Finance Manager submit an annual budget to the City Council in accordance with the laws of the State of Texas. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The budget and actual required supplementary information is presented on this basis. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

### 3. Deposits and Investments

#### *Legal and Contractual Provisions Governing Deposits and Investments*

**The Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations in the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act and verify that the City is in substantial compliance with the requirements of the Act and with local policies.

#### *City Policies and Legal and Contractual Provisions Governing Deposits:*

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of the City of Caddo Mills, Texas (primary government) and Caddo Mills Economic Development Corporation were fully insured or collateralized with securities held by the reporting entity, its agent, or by the pledging financial institution's trust department or agent in the name of the reporting entity.

At September 30, 2023 and for the year then ended the City's governmental and proprietary funds did not own any investments. The Economic Development Corporation held \$1,348,931 in certificates of deposit with a weighted average maturity of 95 days as of September 30, 2023.

#### 4. Disaggregation of Receivables and Payables

Receivables at September 30, 2023, were as follows:

	Accounts Receivable	Sales Taxes	Fines Receivable	Property Taxes	Due From Other	Total Receivables
<b>Governmental Activities:</b>						
General Fund	-	113,600	17,263	19,044	376,100	526,007
Debt Service Fund	-	-	-	38,717	-	38,717
Total Governmental Activities:	-	113,600	17,263	57,761	376,100	564,724
Amount not scheduled for collection during the subsequent year	-	-	-	(5,775)	-	(5,775)
<b>Business-Type Activities:</b>						
Major Enterprise Fund	524,157	-	-	-	-	524,157
Amount not scheduled for collection during the subsequent year	(26,980)	-	-	-	-	(26,980)
<b>Component Unit Activities:</b>						
Economic Development Corporation	138	56,800	-	-	-	56,938

Payables at September 30, 2023, were as follows:

	Accounts Payable	Retainage Payable	Construction Payable	Due to Other	Salaries & Benefits	Total Payables
<b>Governmental Activities:</b>						
General Fund	102,097	-	-	-	36,417	138,514
Capital Projects Fund	-	21,899	117,345	-	-	139,244
Other Governmental Funds	-	-	-	17,208	-	17,208
Total Governmental Activities:	102,097	21,899	117,345	17,208	36,417	294,966
<b>Business-Type Activities:</b>						
Major Enterprise Fund	150,004	118,221	14,250	358,892	26,365	667,732
Total Business-Type Activities:	150,004	118,221	14,250	358,892	26,365	667,732

## 5. Capital Assets

Following is a summary of changes in capital assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending</u>
<b>Governmental Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 15,500	\$ 70,456	\$ -	\$ 85,956
Construction in progress	<u>225,900</u>	<u>801,302</u>	<u>-</u>	<u>1,027,202</u>
Non-depreciable assets	<u>241,400</u>	<u>871,758</u>	<u>-</u>	<u>1,113,158</u>
Depreciable capital assets:				
Buildings & improvements	210,688	-	-	210,688
Infrastructure	1,346,641	81,367	-	1,428,008
Vehicles	1,065,196	77,069	-	1,142,265
Furniture & equipment	<u>1,186,751</u>	<u>152,675</u>	<u>-</u>	<u>1,339,426</u>
Depreciable capital assets	<u>3,809,276</u>	<u>311,111</u>	<u>-</u>	<u>4,120,387</u>
Less: accumulated depreciation	<u>(2,220,381)</u>	<u>(207,587)</u>	<u>-</u>	<u>(2,427,968)</u>
<b>Governmental Activities</b>				
Capital Assets, net	<u>\$ 1,830,295</u>	<u>\$ 975,282</u>	<u>\$ -</u>	<u>\$ 2,805,577</u>
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 181,825	\$ -	\$ -	\$ 181,825
Construction in progress	<u>4,609,281</u>	<u>1,313,890</u>	<u>(656,865)</u>	<u>5,266,306</u>
Non-depreciable assets	<u>4,791,106</u>	<u>1,313,890</u>	<u>(656,865)</u>	<u>5,448,131</u>
Depreciable capital assets:				
Buildings & improvements	161,592	-	-	161,592
Water & sewer system	15,152,984	99,099	656,865	15,908,948
Vehicles	182,108	-	-	182,108
Equipment	<u>436,767</u>	<u>117,970</u>	<u>-</u>	<u>554,737</u>
Depreciable capital assets	<u>15,933,451</u>	<u>217,069</u>	<u>656,865</u>	<u>16,807,385</u>
Less: accumulated depreciation	<u>(6,012,755)</u>	<u>(624,369)</u>	<u>-</u>	<u>(6,637,124)</u>
<b>Governmental Activities</b>				
Capital Assets, net	<u>\$ 14,711,802</u>	<u>\$ 906,590</u>	<u>\$ -</u>	<u>\$ 15,618,392</u>

### Governmental Activities:

Current year additions in the governmental fund includes an outdoor sound system, police department ticket trailer, fire department life packs, fire department compressor, storm warning system, new sidewalks, land on Front street, and two 2024 Police Tahoes .

In the prior year, the City incurred \$68,900 of engineering fees for a street improvement project funded with bond proceeds. In fiscal year 2023, the City spent \$123,933 on engineering cost and \$14,100 in other costs related to this project. In fiscal year 2023, the City signed a construction contract related to this project with Mike Rogers Construction. The total construction contract was \$445,985, which were also incurred in FY 2023. These costs are reflected in construction in progress. The City also signed another construction contract with Mike Rogers related to this project in FY 2023 for \$32,125, which were also incurred in FY 2023. These costs are reflected in construction in progress.

Additionally, in the prior year, the City incurred \$157,000 in engineering costs associated with work on the Airport. The additional costs will be funded with a TxDOT grant. There were no costs associated with this project in fiscal year 2023. These costs are reflected in construction in progress.

In the current year, the City began an expansion of police department offices. Total construction costs of \$29,826 were incurred during the year and are reflected in construction in progress.

Additionally, the City began installation of a fuel station at the airport. Total construction costs of \$97,758 were incurred during the year and are reflected in construction in progress.

The City also spent \$57,575 on engineering costs related to park improvements. These costs are reflected in construction in progress.

Depreciation expense for governmental activities was charged to functions of the City as follows:

Police department	\$	72,998
Airport		2,185
Public works		24,774
Fire protection		18,159
Administration		80,596
Parks & recreation		8,875
Total	\$	<u>207,587</u>

*Proprietary Activities:*

Current year additions in the proprietary fund include a mini excavator and completion of a flow meter project.

In fiscal year 2021, the City began construction on a sewer plant and additional water storage for the increase in development in the City. The infrastructure was funded through Caddo Mills ISD and impact fees. Total costs associated with this project in FY 2021 was \$58,564. In fiscal year 2022, the City paid \$134,614 in engineering fees and \$202,860 in other fees related to this project. In fiscal year 2023, the City paid engineering costs of \$12,925 and other costs of \$44,450. These costs are reflected in construction in progress at year-end.

Below is a recap of construction costs that are also included in construction in progress related to these projects:

Contractor Name	Project	Contract Total	FY 2022 Costs Incurred	FY 2023 Costs Incurred	Balance of Contract
Summit Solutions, Inc.	Water Storage	1,711,900	1,711,900	-	-
Summit Solutions, Inc.	Sewer Plant	1,980,000	1,647,127	332,873	-
JP Contractor	Sewer Plant	140,000	140,000	-	-
H&H Electrical	Sewer Plant	384,420	71,825	312,595	-
KCK Utility Construction	Sewer Plant	144,053	144,053	-	-
			<u>3,714,905</u>	<u>645,468</u>	

In fiscal year 2021, the City paid administration costs of \$25,000 related to water line construction project that will be funded with local match and CDBG grant funds. In FY 2022, the City spent \$44,000 on engineering costs, and \$10,000 on administration costs. The City signed a construction contract with Reliable Paving, Inc. for a total of \$556,865. In fiscal year 2022, the City had incurred total costs of \$419,338 and in fiscal year 2023 the City paid the remaining \$137,527 related to this contract. The City also paid administration fees of \$10,000 in fiscal year 2023 and \$11,000 in engineering fees. This project was completed in fiscal year 2023 and moved to water and sewer system.

In fiscal year 2023, the City started construction on a new maintenance building for public works that will be funded with the Series 2022 bond proceeds. The City paid \$433,610 to CR Fabrication for the steel building. They also paid \$18,910 in other costs related to this project. These costs are reflected in construction in progress at year-end.

Depreciation expense recorded in business-type activities and the Water and Sewer Fund was \$624,369.

## 6. Long-Term Obligations

### *Long-term Obligations Supporting Governmental Activities*

The City's combination tax and revenue certificates of obligation are guaranteed by the full faith and credit of the City. Certificates of obligation are secured by and payable from a limited pledge of surplus revenues of the waterworks and sewer system. Repayments of principal and interest for these obligations are accounted for in the Debt Service Fund.

Combination Tax and Revenue Certificates of Obligation, Series 2021, issued August 15, 2021, in the original amount of \$4,660,000 at an interest rate of 3.000% for street improvements and related costs. Requires semi-annual payments of interest on February 15 and August 15 of each year and annual principal payments due on August 15 of each year.

On December 14, 2021, the City entered into a Notes Payable in the amount of \$592,248 at an interest rate of 3.09%. The proceeds were used to purchase a fire truck for the City. Payments are due in annual installments on December 28 of each year for fifteen years.

Interest expense for governmental activities was \$92,962. This is reported as a separate line item on the statement of activities.

### *Business-type Activities - Revenue Bonds*

Combination Tax and Surplus Revenue Certificates of Obligation represent debt issued to support activities of the Proprietary Fund (Water and Sewer Fund). In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system.

On August 15, 2022, the City issued \$4,800,000 Combination Tax and Revenue Certificates of Obligation, Series 2022 at an interest rate of 4.00% to 5.00%. The bond proceeds from sale will be used for Water and Sewer system improvements. Semi-annual payments of principal and interest are August 15 and February 15 each year for twenty years.

Interest expense for business-type activities and the Water and Sewer Proprietary Fund was \$324,918.

Terms of the bonds due to the Texas Water Development Board require the City to establish an interest and sinking fund in an amount equal to the pro-rata share of the next principal and interest payment due for the bonds. At year-end, this requirement was \$42,507. The City has established an interest and sinking fund in the amount of \$42,275 at year-end, and, accordingly, is substantially in compliance with this requirement.



The following table contains a summary of changes in long-term obligations for the year ended September 30, 2023:

	<u>Beginning</u>	<u>Prior Period Adjustment</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>						
<i>Direct Borrowings</i>						
Notes Payable - New Fire Truck	592,248	-	-	(32,611)	559,637	32,611
Combination Tax & Revenue Certificate of Obligation Series 2021, 3.0%	4,585,000	-	-	(470,000)	4,115,000	175,000
Combination Tax & Revenue Certificate of Obligation Series 2022, 4.5%	4,800,000	(4,800,000)	-	-	-	-
Bond Premium	731,670	(304,809)	-	(41,403)	385,458	-
<b>Total Governmental Activities</b>	<b>10,708,918</b>	<b>(5,104,809)</b>	<b>-</b>	<b>(544,014)</b>	<b>5,060,095</b>	<b>207,611</b>
<i>Business-Type Activities</i>						
General Obligation Refunding Bonds Series 2020, 1.59%	1,390,000	-	-	(165,000)	1,225,000	165,000
Combination Tax & Revenue Certificate of Obligation Series 2022, 4.5%	-	4,800,000	-	(180,000)	4,620,000	155,000
Bond Premium	-	304,809	-	(27,739)	277,070	-
<i>Direct Borrowings</i>						
Combination Tax & Revenue Certificate of Obligation Series 2012, 1.75% to 4.05%	3,365,000	-	-	(130,000)	3,235,000	135,000
<b>Total Business-Type Activities</b>	<b>4,755,000</b>	<b>5,104,809</b>	<b>-</b>	<b>(502,739)</b>	<b>9,357,070</b>	<b>455,000</b>
<b>Total Primary Government</b>	<b>15,463,918</b>	<b>-</b>	<b>-</b>	<b>(1,046,753)</b>	<b>14,417,165</b>	<b>662,611</b>

Terms of the certificates of obligation bonds require the City to establish sinking funds in order to accumulate resources for the repayment of principal and interest on the bonds as they mature. At year-end the City was in compliance with these sinking fund requirements. Amounts set aside to meet interest and sinking fund requirements are reflected as restricted cash or restricted investments at year-end.

#### *Debt Service Requirements to Maturity*

The annual debt service requirements to maturity for bonded debt obligations for governmental activities are as follows at year-end:

Fiscal Year Ending September 30,	<i>Governmental Activities</i>					
	<u>Bonds Payable - Series 2021</u>		<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	175,000	120,825	32,611	17,323	207,611	138,148
2025	180,000	115,500	33,619	16,315	213,619	131,815
2026	185,000	110,025	34,658	15,276	219,658	125,301
2027	190,000	104,400	35,728	14,206	225,728	118,606
2028	195,000	98,625	36,833	13,102	231,833	111,727
2029-2033	1,085,000	399,075	201,955	47,716	1,286,955	446,791
2034-2038	1,255,000	223,875	184,233	14,525	1,439,233	238,400
2039-2041	850,000	38,700	-	-	850,000	38,700
<b>Totals</b>	<b>4,115,000</b>	<b>1,211,025</b>	<b>559,637</b>	<b>138,463</b>	<b>4,674,637</b>	<b>1,349,488</b>

The annual debt service requirements to maturity for bonded debt obligations for business-type activities are as follows at year-end:

Fiscal Year Ending September 30,	<i>Business-Type Activities</i>							
	Bonds Payable Series 2020		Certificates of Obligation Series 2012		Bonds Payable Series 2022		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	165,000	18,166	135,000	120,040	155,000	200,375	455,000	338,581
2025	170,000	15,503	135,000	116,058	160,000	192,500	465,000	324,061
2026	170,000	12,800	140,000	111,940	170,000	184,250	480,000	308,990
2027	175,000	10,057	145,000	107,530	180,000	175,500	500,000	293,087
2028	180,000	7,234	150,000	102,890	190,000	166,250	520,000	276,374
2029-2033	365,000	5,843	830,000	433,650	1,090,000	677,000	2,285,000	1,116,493
2034-2038	-	-	995,000	265,262	1,365,000	403,100	2,360,000	668,362
2039-2041	-	-	705,000	57,915	1,310,000	107,200	2,015,000	165,115
Totals	1,225,000	69,603	3,235,000	1,315,285	4,620,000	2,106,175	9,080,000	3,491,063

In addition to the bonded debt requirements above, the City also has the following long-term obligations:

	Beginning Balance	Increase	Decrease	Ending Balance
<i>Governmental Activities:</i>				
Compensated Absences	32,621	8,956	-	41,577
	32,621	8,956	-	41,577

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

## 7. Lease Receivable

On January 1, 2023, the City entered into a three year agreement with Brady Williams to lease farmland for \$10,587 per year. The lease receivable is measured as the present value of the future minimum payments expected to be received during the lease term at a discount rate of 4.49%. As of September 30, 2023, the City recognized deferred inflows related to the lease receivable and a lease receivable in amount of \$29,058. In fiscal year 2023, the City recognized \$10,587 as lease revenue.

## 8. Defined Benefit Pension Plans

### Plan Description

The City of Caddo Mills, Texas participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City and the EDC 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. The retiring member select one of seven monthly benefit payments options. Members may also choose to receive their retirement benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

***Employees Covered by Benefit Terms***

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>24</u>
Total	<u>45</u>

**Contributions**

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, 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 city’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees of the City were required to contribute 6% of their annual compensation during the fiscal year. The contribution rates for the City of Caddo Mills, Texas, were 5.63% and 5.90% in calendar years 2023 and 2022, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2023, were \$82,907 and equaled the required contributions.

**Net Pension Liability**

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

***Actuarial Assumptions:***

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for 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 real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	<u>100.00%</u>	

### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2021	\$ 926,243	\$ 958,599	\$ (32,356)
Changes for the year:			
Service cost	145,087	-	145,087
Interest	66,145	-	66,145
Change of benefit terms	-	-	-
Difference between expected and actual experience	(3,046)	-	(3,046)
Changes of assumptions	-	-	-
Contributions - employer	-	75,886	(75,886)
Contributions - employee	-	77,174	(77,174)
Net investment income	-	(70,169)	70,169
Benefit payments, including refunds of employee contributions	(37,724)	(37,724)	-
Administrative expense	-	(606)	606
Other changes	-	723	(723)
Net changes	170,462	45,284	125,178
Balance at 12/31/2022	\$ 1,096,705	\$ 1,003,883	\$ 92,822

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 252,563	\$ 92,822	\$ 39,122

### 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 of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized pension expense of \$82,014.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 2,929	\$ 2,426
Changes in actuarial assumptions	125	-
Difference between projected and actual investment earnings	67,769	-
Contributions subsequent to the measurement date	61,233	-
Total	\$ 132,056	\$ 2,426

\$61,233 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	
2024	\$ 8,526
2025	16,749
2026	16,713
2027	26,409
2028	-
Thereafter	-
Total	\$ 68,397

**8. Postemployment Benefits Other Than Pensions (OPEB)**

*Plan description* - The City maintains a single-employer defined benefit group-term life insurance plan known as the TMRS Supplemental Death Benefits Fund (“SDBF”). The plan is administered by the Texas Municipal Retirement System (“TMRS”). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage for both their active and retiree participants. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*).

*Benefits provided* - The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12 month period preceding the month of death). The death benefit for retirees is considered an Other Post-Employment Benefit (“OPEB”) and is a fixed amount of \$7,500.

***Employees Covered by Benefit Terms***

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	24
Total	34

***Contributions***

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

The City’s SDBF contribution rates for all covered employees of the City in calendar years 2023 and 2022 were 0.23% and 0.14% respectively. The City’s contribution for all covered employees to the TMRS SDBF for the fiscal year ended September 30, 2023, was \$3,016 and equaled the required contributions for each year.

***Total OPEB Liability***

The City’s total OPEB liability (TOL) of \$37,825 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

***Actuarial Assumptions and other inputs:***

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

Inflation	2.5% per year
Salary Increase	3.5% to 11.5% per year, including inflation
Discount Rate	4.05%
Retirees Share of Benefit Costs	\$ -0-

Salary increases are assumed to occur once a year and are assumed to increase by a graduated service-based scale ranging from 11.5% for employees with one year of service to 3.5% for employees with 25 or more years of service.

Mortality rates for service retirees were based on 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 97.0%.

For disabled retirees, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions 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 applicable discount rate for an unfunded OPEB plan under GASB No. 75 is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2022.

***Changes in the Total OPEB Liability***

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 57,046
Changes for the year:	
Service cost	4,630
Interest on total OPEB liability	1,086
Change of benefit terms	-
Difference between expected and actual experience	410
Changes of assumptions and other inputs	(24,704)
Benefit payments, including refunds of employee contributions	(643)
Other changes	-
Net changes	<u>(19,221)</u>
Balance at 12/31/2022	<u>\$ 37,825</u>

\*Due to the Supplemental Death Benefit Fund being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

The SDBF does not incur TMRS Administrative Expenses. The City is charged and the administrative expenses are paid through the TMRS Defined Benefit Pension Plan recorded under GASB Statement No. 68.

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05% (no change from the prior year), as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Increase in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability	\$ 46,937	\$ 37,825	\$ 30,976

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$4,840. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience (net of current year amortization)	\$ 5,501	\$ 4,559
Changes in actuarial assumptions	7,282	21,488
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	2,502	-
Total	<u>\$ 15,285</u>	<u>\$ 26,047</u>

\$2,502 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2024	\$ (1,055)
2025	(1,067)
2026	(2,534)
2027	(3,290)
2028	(3,620)
Thereafter	<u>(1,698)</u>
Total	<u>\$ (13,264)</u>



**9. Commitments and Contingencies**

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs by the granting organizations for the year ended September 30, 2023, have not been conducted. Accordingly, the City’s final compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

The City is involved in litigation from time to time during the ordinary course of business. Management estimates that any potential litigation will not have a material impact on the City’s financial statements.

Certain state reports and remittances are required by the City’s municipal court. These reports and remittances are subject to audit by the Comptroller of Public Accounts. Any adjustments which may occur based upon such an audit could require the City to remit additional funds. The City expects that any adjustments to these reports and remittance required, if any, would be minimal.

**10. Balances and Transfers/Payments Within the Reporting Entity**

*Receivables and Payables*

Generally, outstanding balances between funds reported as “due to/from other funds” in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

	<u>Receivables</u> <u>(Due From)</u>	<u>Payables</u> <u>(Due to)</u>
General Fund:		
Other Governmental Funds	17,208	-
Water & Sewer Fund	<u>358,892</u>	<u>-</u>
	376,100	-
Other Governmental Funds:		
General Fund	<u>-</u>	<u>(17,208)</u>
	-	(17,208)
Water & Sewer Fund:		
General Fund	<u>-</u>	<u>(358,892)</u>
	-	(358,892)
Total	<u><u>376,100</u></u>	<u><u>(376,100)</u></u>

*Transfers and Payments*

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within governmental activities.

The following schedule reports transfers and payments within the reporting entity:

	Transfer From (Out)	Transfer To In
General Fund:		
Other Governmental Fund	(96,090)	-
Debt Service Fund	-	952,259
	<u>(96,090)</u>	<u>952,259</u>
Water and Sewer Fund:		
Debt Service Fund	-	439,674
	-	<u>439,674</u>
Debt Service Fund:		
General Fund	(952,259)	-
Water and Sewer Fund	(439,674)	-
	<u>(1,391,933)</u>	<u>-</u>
Other Governmental Funds:		
Debt Service	-	96,090
	-	<u>96,090</u>
Total	<u>(1,488,023)</u>	<u>1,488,023</u>

The City transferred \$1,391,933 from debt service fund to the general fund and water sewer fund for reimbursement of debt service payments. The general fund transferred \$96,090 to the airport fund for reimbursement of RAMP grant expenditures.

#### 11. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Caddo Mills, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Caddo Mills, Texas and the surrounding area.

The City purchases water through an agreement with the City of Greenville/GEUS. During fiscal year 2023, water purchases through this agreement totaled \$711,299.

The City contracts with Waste Connections Lone Star, Inc. for sanitation services. During fiscal year 2023, the cost of sanitation services paid through this contract were \$316,572.

#### 12. Restricted Cash and Cash Equivalents

Restrictions on cash and cash equivalents at year-end are as follows:

Restricted for debt service	\$ 130,853
Restricted for capital projects - bond proceeds	8,926,753
Restricted for municipal court	<u>43,165</u>
Totals	<u>\$ 9,100,771</u>

Amounts restricted for debt service represent amounts established to meet bond interest and sinking fund requirements and bond maintenance fund requirements.

Amounts restricted for capital projects represent unspent 2021 and 2022 bond proceeds.

### **13. Impact Fee Revenue and Deferred Revenue**

Impact fees are authorized under Chapter 395 of the Texas Local Government Code and are defined as a charge imposed against new development to pay for the off-site construction or expansion of infrastructure facilities that are necessitated by and benefit the new development. Impact fees are deferred until the City incurs expenses for infrastructure. The City had deferred impact fees of \$321,002 at the beginning of the year. During fiscal year 2023, the City received \$2,408,958 in impact fees and spent \$689,919. The balance of deferred revenue for impact fees at the end of the year was \$2,040,041.

### **14. Prior Period Adjustment**

In fiscal year 2022, the City incorrectly reported the Combination Tax and Revenue Certificates of Obligation, Series 2022, as a governmental debt. The original issue of the debt was \$4,800,000 with a recognized bond premium of \$304,809 and bond issuance cost of \$104,809. The error was identified in fiscal year 2023 and a prior period adjustment was recognized. In the governmental fund financial statements, the capital projects fund recognized a decrease in prior period fund balance of \$5,000,000. In the government-wide financial statements, the prior period adjustment resulted in an increase in net position for governmental activities of \$104,809, and a decrease in net position for the business-type activities of \$104,809.

### **15. Subsequent Events**

On October 10, 2023, the City issued Combination Tax and Surplus Airport Revenue Certificates of Obligation, Series 2023 in the amount of \$2,000,000. The proceeds from the sale of Certificates will be used to pay for costs related to acquiring, constructing, and equipping additions, improvements, or extensions to the City's municipal airport.

On December 12, 2023, the City signed a construction contract with Preload LLC for \$1,448,000 for the new in-ground water tank.

On December 12, 2023, the City signed a construction contract with Summitt Solutions for \$665,000 for new pumps at the sewer plant lift station.

On January 17, 2024, the City signed a construction contract with CR Fabrication for \$2,698,496 for construction of airport hangers at the municipal airport.

City Administration has evaluated subsequent events through May 8, 2024, the date which the financial statements were available to be issued.

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## Required Supplementary Information

**CITY OF CADDO MILLS, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Ad valorem taxes	614,000	\$ 614,000	\$ 669,348	\$ 55,348
Franchise taxes	60,000	60,000	61,174	1,174
Sales tax	540,000	540,000	662,176	122,176
Impound income	30,000	30,000	35,431	5,431
Permits and fees	525,000	525,000	780,851	255,851
Fines	210,000	210,000	160,089	(49,911)
Developer contributions	250,000 *	250,000 *	419,942	169,942
Donations and other income	6,400	6,400	129,390	122,990
Grant revenues	-	-	31,280 ***	31,280
Interest	-	-	2,371	2,371
<b>Total Revenues</b>	<b>2,235,400</b>	<b>2,235,400</b>	<b>2,952,052</b>	<b>716,652</b>
<b>EXPENDITURES:</b>				
Administration	820,913 *	820,913 *	928,943	(108,030)
Building inspections	236,950	236,950	222,095	14,855
Judicial	152,750	152,750	63,445	89,305
Police department	901,588	901,588	841,379	60,209
Fire protection	181,900	181,900	209,306	(27,406)
Parks & recreation	242,425 **	242,425 **	102,294	140,131
Capital outlay:				
Administration	150,000 *	150,000 *	217,736	(67,736)
Police	140,000	140,000	133,105	6,895
Parks & recreation	57,575 **	57,575 **	57,575	-
Fire protection	-	-	60,552 ***	(60,552)
Debt Service:				
Principal retirement	502,611	502,611	502,611	-
Interest and fiscal charges	147,823	147,823	147,998	(175)
<b>Total Expenditures</b>	<b>3,534,535</b>	<b>3,534,535</b>	<b>3,487,039</b>	<b>47,496</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,299,135)</b>	<b>(1,299,135)</b>	<b>(534,987)</b>	<b>764,148</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	650,434	650,434	952,259	301,825
Transfers out	-	-	(96,090)	(96,090)
Capital contributions	-	-	11,888	11,888
<b>Total Other Financing Sources (Uses)</b>	<b>650,434</b>	<b>650,434</b>	<b>868,057</b>	<b>217,623</b>
<b>Net change in fund balance</b>	<b>(648,701)</b>	<b>(648,701)</b>	<b>333,070</b>	<b>981,771</b>
<b>Fund balance, October 1</b>	<b>3,870,231</b>	<b>3,870,231</b>	<b>3,870,231</b>	<b>-</b>
<b>Fund balance, September 30</b>	<b>\$ 3,221,530</b>	<b>\$ 3,221,530</b>	<b>\$ 4,203,301</b>	<b>\$ 981,771</b>

**Notes to the budgetary comparison schedule:**

The General Fund budget is adopted on a basis consistent with generally accepted accounting principles for a governmental fund.

\* General Fund revenues exceeded budgeted amounts because the City does not budget developer contributions

\*\*Park and recreation is budgeted in the water / sewer fund.

\*\*\*Fire protection capital outlay was purchased using TDEM grant funds. The City does not budget grant revenue or expenditures.

CITY OF CADDO MILLS, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 LAST 10 YEARS (will ultimately be displayed)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Plan Year Ended December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
<b>Total Pension Liability</b>										
Service cost	\$ 145,087	\$ 115,416	\$ 92,945	\$ 68,731	\$ 68,951	\$ 62,620	\$ 60,914	\$ 43,401	\$ 35,360	
Interest (on the total pension liability)	66,145	55,661	46,249	39,425	37,554	32,043	28,963	24,719	19,820	
Changes of benefit terms	-	-	-	-	-	-	-	22,051	-	
Difference between expected and actual experience	(3,046)	151	8,051	194	(41,146)	7,291	(23,922)	2,819	396	
Change of assumptions	-	-	-	5,709	-	-	-	15,999	-	
Benefit payments, including refunds of employee contributions	(37,724)	(23,766)	(14,325)	(35,811)	(39,260)	(7,682)	(34,675)	(4,814)	(18,513)	
<b>Net Change in Total Pension Liability</b>	170,462	147,462	132,920	78,248	26,099	94,272	31,280	104,175	37,063	
<b>Total Pension Liability - Beginning</b>	926,243	778,781	645,861	541,514	541,514	447,242	415,962	311,787	274,724	
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,096,705</b>	<b>\$ 926,243</b>	<b>\$ 778,781</b>	<b>\$ 619,762</b>	<b>\$ 567,613</b>	<b>\$ 541,514</b>	<b>\$ 447,242</b>	<b>\$ 415,962</b>	<b>\$ 311,787</b>	
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 75,886	\$ 55,456	\$ 48,265	\$ 38,331	\$ 36,922	\$ 34,266	\$ 31,500	\$ 16,456	\$ 11,610	
Contributions - employee	77,174	60,061	50,015	36,048	35,788	32,643	32,088	27,193	24,701	
Net investment income	(70,169)	100,126	48,210	79,914	(14,962)	53,540	22,642	437	15,092	
Benefit payments, including refunds of employee contributions	(37,724)	(23,766)	(14,325)	(35,811)	(39,260)	(7,682)	(34,675)	(4,814)	(18,513)	
Administrative expense	(606)	(463)	(312)	(452)	(289)	(278)	(256)	(266)	(157)	
Other	723	3	(12)	(14)	(15)	(14)	(14)	(13)	(13)	
<b>Net Change in Plan Fiduciary Net Position</b>	45,284	191,417	131,841	118,016	18,184	112,475	51,285	38,993	32,720	
<b>Plan Fiduciary Net Position - Beginning</b>	958,599	767,183	635,342	517,326	499,142	386,667	335,382	296,389	263,669	
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,003,883</b>	<b>\$ 958,600</b>	<b>\$ 767,183</b>	<b>\$ 635,342</b>	<b>\$ 517,326</b>	<b>\$ 499,142</b>	<b>\$ 386,667</b>	<b>\$ 335,382</b>	<b>\$ 296,389</b>	
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 92,822</b>	<b>\$ (32,357)</b>	<b>\$ 11,598</b>	<b>\$ (15,580)</b>	<b>\$ 50,287</b>	<b>\$ 42,372</b>	<b>\$ 60,575</b>	<b>\$ 80,580</b>	<b>\$ 15,398</b>	
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>										
	91.54%	103.49%	98.51%	102.51%	91.14%	92.18%	86.46%	80.63%	95.06%	
<b>Covered Payroll</b>	\$ 1,286,233	\$ 1,001,009	\$ 833,590	\$ 600,799	\$ 596,464	\$ 544,049	\$ 534,799	\$ 543,866	\$ 494,028	
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	7.22%	-3.23%	1.39%	-2.59%	8.43%	7.79%	11.33%	14.82%	3.12%	

Note: Only nine years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available."

CITY OF CADDO MILLS, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 LAST 10 YEARS (will ultimately be displayed)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year Ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Actuarially determined contribution	\$ 82,907	\$ 70,601	\$ 52,125	\$ 46,160	\$ 37,753	\$ 35,999	\$ 33,493	\$ 28,905	\$ 15,793	
Contributions in relation to actuarially determined contribution	(82,907)	(70,601)	(52,125)	(46,160)	(37,753)	(35,999)	(33,493)	(28,905)	(15,793)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered employee payroll	\$ 1,454,978	\$ 1,214,671	\$ 930,715	\$ 779,733	\$ 596,729	\$ 578,906	\$ 528,661	\$ 552,834	\$ 534,044	
Contributions as a percentage of covered payroll	5.70%	5.81%	5.60%	5.92%	6.33%	6.22%	6.34%	5.23%	2.96%	

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as of the time period covered by the measurement date.

Note: Only nine years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10 year schedule that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available."

CITY OF CADDO MILLS, TEXAS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
 LAST 10 YEARS (will ultimately be displayed)

Actuarial Valuation & Measurement Date, December 31,	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 4,630	\$ 3,904	\$ 2,334	\$ 1,322	\$ 1,789	\$ 1,415
Interest on the total OPEB liability	1,086	1,027	1,110	1,728	907	848
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	410	833	(838)	(17,407)	19,376	-
Changes in assumptions or other inputs	(24,704)	2,169	8,019	7,803	(2,604)	2,586
Benefit payments *	(643)	(601)	(250)	(60)	(60)	(54)
<b>Net Change in Total OPEB Liability</b>	<u>(19,221)</u>	<u>7,332</u>	<u>10,375</u>	<u>(6,614)</u>	<u>19,408</u>	<u>4,795</u>
<b>Total OPEB Liability - Beginning</b>	<u>57,046</u>	<u>49,714</u>	<u>39,339</u>	<u>45,953</u>	<u>26,545</u>	<u>21,750</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 37,825</u>	<u>\$ 57,046</u>	<u>\$ 49,714</u>	<u>\$ 39,339</u>	<u>\$ 45,953</u>	<u>\$ 26,545</u>
<b>Covered Payroll</b>						
	\$ 1,286,233	\$ 1,001,009	\$ 833,590	\$ 600,799	\$ 596,464	\$ 544,049
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	2.94%	5.70%	5.96%	6.55%	7.70%	4.88%

Note: Only six years of data is presented in accordance with GASB #75. The information for all periods for the 10 year schedules that are required to be presented as required supplementary information is not be available initially. In these cases, during the transition period, that information will be presented for as many periods as are available.

The TMRS Supplementary Death Benefit Fund is considered to be an unfunded OPEB plan, therefore, no plan fiduciary net position and related ratios are reported in the above schedule.



**CITY OF CADDO MILLS, TEXAS  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

**Methods and assumptions Used to Determine Contribution Rates for Pensions:**

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	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(1) 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.
<b>Other information:</b>	There were no benefit changes during the year.

**Methods and assumptions Used to Determine Contribution Rates for OPEB:**

Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate *	4.05%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

Note: The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

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## Other Information

**CITY OF CADDO MILLS, TEXAS  
OTHER INFORMATION  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
YEAR ENDED SEPTEMBER 30, 2023 (UNAUDITED)**

<u>Tax Roll Year</u>	<u>Fiscal Year Ended September 30</u>	<u>Outstanding Balance 9/30/2023</u>
2022	2023	\$ 15,971
2021	2022	9,020
2020	2021	4,826
2019	2020	5,360
2018	2019	4,235
2017	2018	3,406
2016	2017	3,274
2015	2016	4,411
2014	2015	2,640
2013	2014 and prior	4,619
	Allowance for uncollectible taxes	<u>(5,776)</u>
	<b>Delinquent taxes receivable, net</b>	<b><u><u>\$ 51,986</u></u></b>

**CITY OF CADDO MILLS, TEXAS  
OTHER INFORMATION  
HISTORICAL SCHEDULE OF PROPERTY TAX RATES  
YEAR ENDED SEPTEMBER 30, 2023 (UNAUDITED)**

<u>Tax Roll Year</u>	<u>Fiscal Year Ended September 30</u>	<u>Tax Rates</u>
2022	2023	0.500000
2021	2022	0.546422
2020	2021	0.576000
2019	2020	0.656970
2018	2019	0.693693
2017	2018	0.730000
2016	2017	0.750000
2015	2016	0.750000
2014	2015	0.750000
2013	2014	0.750000

**CITY OF CADDO MILLS, TEXAS  
OTHER INFORMATION  
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION  
YEAR ENDED SEPTEMBER 30, 2023 (UNAUDITED)**

<u>Tax Roll Year</u>	<u>Fiscal Year Ended September 30</u>	<u>Net Taxable Valuation</u>
2022	2023	\$ 416,074,400
2021	2022	250,586,543
2020	2021	182,289,653
2019	2020	155,512,799
2018	2019	141,644,919
2017	2018	130,342,181
2016	2017	122,653,429
2015	2016	123,612,604
2014	2015	128,872,135
2013	2014	109,628,580

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## **Overall Internal Control and Compliance**



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

Independent Auditor's Report

Honorable Mayor and  
Members of the City Council  
City of Caddo Mills, Texas

Members of the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Caddo Mills, Texas, (the City) 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, and have issued our report thereon dated May 8, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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



**WILF & HENDERSON, P.C.**  
Certified Public Accountants  
Texarkana, Texas

May 8, 2024



**CITY OF CADDO MILLS, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**I. Summary of the Auditor's Results:**

- a. The type of report issued on the financial statements of the City of Caddo Mills, Texas was an unmodified opinion.
- b. No significant deficiency or material weakness relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the City of Caddo Mills, Texas were disclosed during the audit.

**II. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

No findings were required to be reported.

**CITY OF CADDO MILLS, TEXAS  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

No prior year audit findings.

**CITY OF CADDO MILLS, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

There were no current year findings.