

CITY OF CADDO MILLS, TEXAS
ANNUAL FINANCIAL STATEMENTS

**For the Fiscal Year Ended
September 30, 2024**



CITY OF CADDO MILLS, TEXAS
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WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 42, schedule of changes in net pension liability & related ratios on page 43, schedule of contributions on page 44, the schedule of changes in total OPEB liability & related ratios on page 45, and the notes to Texas Municipal Retirement System on page 46, 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 March 25, 2025, 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

March 25, 2025

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, 2024. 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 \$23,330,267. Of this amount \$7,877,741 is the net investment in capital assets, \$244,199 is restricted for debt service or municipal court use, \$7,680,074 restricted for capital projects, \$1,183,567 is restricted for economic development, leaving \$6,344,686 of unrestricted net position.
- Government-wide net position increased by \$3,538,990.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – (\$288,812) decrease
Debt Service Fund - \$60,648 increase
Capital Projects Fund – (\$404,327) decrease
Other Governmental Funds - \$152,960 increase
Water & Sewer Fund - \$3,083,089 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 \$23,330,267 at the close of fiscal year 2024.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The net position of the City's activities increased by \$3,538,990 during 2024. 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 \$6,344,686.

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

	Governmental Activities		Business-Type Activities		Component Unit	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 4,331,804	\$ 4,396,978	\$ 4,012,682	\$ 3,570,581	\$ 1,183,567	\$ 1,529,368
Restricted assets	4,203,061	4,590,803	4,367,111	4,509,968	-	-
Capital assets	5,355,988	2,805,577	21,467,807	15,618,392	731,617	223,696
Net pension asset	-	-	-	-	-	-
Total Assets	13,890,853	11,793,358	29,847,600	23,698,941	1,915,184	1,753,064
Deferred outflows of resources	90,512	115,630	24,823	31,711	-	-
Current liabilities	390,085	373,397	2,223,287	2,622,687	-	-
Long-term liabilities	6,855,791	5,060,095	12,821,880	9,357,070	-	-
Net pension and OPEB liability	75,810	102,529	20,790	28,118	-	-
Total Liabilities	7,321,686	5,536,021	15,065,957	12,007,875	-	-
Deferred inflow of resources	44,337	51,406	6,725	6,125	-	-
Net Position:						
Net investment in capital assets	(1,499,803)	(2,254,518)	8,645,927	6,261,322	731,617	223,696
Restricted	4,118,188	4,466,965	3,806,085	4,377,497	1,183,567	1,529,368
Unrestricted	3,996,957	4,109,114	2,347,729	1,077,833	-	-
Total Net Position	\$ 6,615,342	\$ 6,321,561	\$ 14,799,741	\$ 11,716,652	\$ 1,915,184	\$ 1,753,064

**City of Caddo Mills
Statement of Activities**

	Governmental Activities		Business-Type Activities		Component Unit	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues						
Charges for Services	\$ 741,655	\$ 976,371	\$ 4,243,339	\$ 3,903,147	\$ -	\$ -
Operating Grants and Contributions	75,000	9,887	-	-	-	-
Capital Grants and Contributions	407,861	463,110	5,000	158,526	-	-
General Revenues						
Property taxes	2,684,288	2,085,520	-	-	-	-
Other taxes	823,628	723,350	-	-	382,358	331,096
Investment earnings	231,277	4,914	112,874	1,453	82,700	33,413
Miscellaneous	299,267	160,085	-	-	10,600	29,899
Impact fees	-	-	1,629,684	689,919	-	-
Total General Revenues	<u>5,262,976</u>	<u>4,423,237</u>	<u>5,990,897</u>	<u>4,753,045</u>	<u>475,658</u>	<u>394,408</u>
Expenses						
Administration	1,444,531	1,007,420	-	-	-	-
Building inspections	299,398	223,970	-	-	-	-
Judicial	106,908	63,323	-	-	-	-
Police department	1,307,283	925,339	-	-	-	-
Fire protection	241,151	227,465	-	-	-	-
Airport	167,767	27,368	-	-	-	-
Public works	27,642	24,774	-	-	-	-
Parks & recreation	110,049	111,169	-	-	-	-
Grant expenditures	75,000	8,897	-	-	-	-
Interest and fiscal charges	273,083	92,962	-	-	-	-
Water, sewer and garbage	-	-	3,868,041	3,437,859	-	-
CMEDC	-	-	-	-	269,688	153,312
Total Expenses	<u>4,052,812</u>	<u>2,712,687</u>	<u>3,868,041</u>	<u>3,437,859</u>	<u>269,688</u>	<u>153,312</u>
Other Sources (Uses)						
Operating transfers in (out)	(916,383)	(439,674)	960,233	439,674	(43,850)	-
Total Other Sources (Uses)	<u>(916,383)</u>	<u>(439,674)</u>	<u>960,233</u>	<u>439,674</u>	<u>(43,850)</u>	<u>-</u>
Increase (Decrease) in Net Position	293,781	1,270,876	3,083,089	1,754,860	162,120	241,096
Beginning Net Position	6,321,561	5,050,685	11,716,652	9,961,792	1,753,064	1,511,968
Ending Net Position	<u>\$ 6,615,342</u>	<u>\$ 6,321,561</u>	<u>\$ 14,799,741</u>	<u>\$ 11,716,652</u>	<u>\$ 1,915,184</u>	<u>\$ 1,753,064</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds reported a combined fund balance of \$8,149,448 and proprietary funds reported a net position of \$14,799,741 for a decrease of (\$479,531) and an increase of \$3,083,089 respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets - The City's capital assets reported in governmental activities and business-type activities was \$5,355,988 and \$21,467,807, respectively or \$27,555,412, including the component unit, 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 \$2,550,411 increase and \$5,849,415 increase, respectively after current year depreciation expense of \$231,618 (governmental activities) and \$670,438 (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 \$6,855,791 in bonds outstanding in governmental activities – an increase of \$795,696. At year-end the City has \$12,821,880 in bonds outstanding in business-type activities – an increase of \$3,464,810. Additional information on the City's long-term debt can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

The development with DR Horton Trailstone subdivision is 70% completed. Trailstone Phase 6 is open and Phase 7 and Phase 8 will open in May 2025. CMISD has broken ground on a new elementary school in the Trailstone subdivision and it will open in May 2025. Inspections have started and will continue on the \$290,000,000 school bond that was passed in May 2023. The Stonehaven subdivision Phase 1 is completed and Phase 2 is 95% completed. The Fox Landing and Brushy Creek subdivisions have broken ground and construction has begun. The 5 new developers that development agreements where in the works have been completed with 3 developers and the other 2 are almost completed. The City Council has engaged in the City lakes parks recreation Phase 1 and has broken ground in the last 2 months. The parking lot is under way and the trail system is in the beginning stages. The City has been approved for another Texas Parks and Wildlife (TPWD) matching grant of \$750,000 that will begin funding in October 2025.

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.

Basic Financial Statements

City of Caddo Mills, Texas
Statement of Net Position
September 30, 2024

	Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit
ASSETS				
Cash and cash equivalents	4,063,222	\$ 3,446,773	\$ 7,509,995	\$ 227,137
Certificates of deposit	-	-	-	875,439
Property taxes receivable, net	60,291	-	60,291	-
Sales taxes receivable	161,704	-	161,704	80,852
Fines receivable	26,785	-	26,785	-
Accounts receivable, net	-	565,909	565,909	139
Lease receivable	19,802	-	19,802	-
Restricted Assets:				
Cash and cash equivalents - capital projects	4,000,362	4,325,611	8,325,973	-
Cash and cash equivalents - debt service	149,226	41,500	190,726	-
Cash and cash equivalents - municipal court	53,473	-	53,473	-
Capital assets:				
Non-depreciable capital assets	3,589,810	6,027,678	9,617,488	731,617
Capital assets, net	1,766,178	15,440,129	17,206,307	-
Total Assets	13,890,853	29,847,600	43,738,453	1,915,184
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-related to pensions	81,179	22,264	103,443	-
Deferred outflows-related to OPEB	9,333	2,559	11,892	-
Total Deferred Outflows of Resources	90,512	24,823	115,335	-
LIABILITIES				
Accounts payable	164,061	190,283	354,344	-
Retainage payable	66,986	38,561	105,547	-
Construction payable	17,887	522,465	540,352	-
Accrued salaries, benefits and compensated absences	51,990	16,362	68,352	-
Accrued interest	41,130	72,388	113,518	-
Unearned revenue	-	1,059,558	1,059,558	-
Deposit payable	4,400	304,988	309,388	-
Accrued compensated absences	43,631	18,682	62,313	-
Net pension liability	41,276	11,320	52,596	-
Net OPEB liability	34,534	9,470	44,004	-
Long-term liabilities:				
Bond premium	388,765	521,880	910,645	-
Bonds payable - due within one year	240,000	840,000	1,080,000	-
Notes payable - due within one year	33,619	-	33,619	-
Bonds payable - due in more than one year	5,700,000	11,460,000	17,160,000	-
Notes payable - due in more than one year	493,407	-	493,407	-
Total Liabilities	7,321,686	15,065,957	22,387,643	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-leases	19,802	-	19,802	-
Deferred inflows-related to pensions	8,960	2,453	11,413	-
Deferred inflows-related to OPEB	15,575	4,272	19,847	-
Total Deferred Inflows of Resources	44,337	6,725	51,062	-
NET POSITION				
Net investment in capital assets	(1,499,803)	8,645,927	7,146,124	731,617
Restricted for debt service	149,226	41,500	190,726	-
Restricted for capital projects	3,915,489	3,764,585	7,680,074	-
Restricted for municipal court	53,473	-	53,473	-
Restricted for economic development	-	-	-	1,183,567
Unrestricted	3,996,957	2,347,729	6,344,686	-
Total Net Position	\$ 6,615,342	\$ 14,799,741	\$ 21,415,083	\$ 1,915,184

The accompanying notes are an integral part of these financial statements

City of Caddo Mills, Texas
Statement of Activities
Year Ended September 30, 2024

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government
Governmental activities:							
Administration	\$ 1,444,531	\$ 407,861	\$ -	\$ -	\$ (1,036,670)	\$ -	\$ (1,036,670)
Building inspections	299,398	-	-	-	(299,398)	-	(299,398)
Judicial	106,908	-	-	-	(106,908)	-	(106,908)
Police department	1,307,283	198,163	-	-	(1,109,120)	-	(1,109,120)
Fire protection	241,151	24,701	-	-	(216,450)	-	(216,450)
Parks & recreation	110,049	-	-	-	(110,049)	-	(110,049)
Airport	167,767	-	-	-	(167,767)	-	(167,767)
Public works	27,642	518,791	-	-	491,149	-	491,149
Grant expenditures	75,000	-	75,000	-	-	-	-
Interest and bond issuance costs	273,083	-	-	-	(273,083)	-	(273,083)
Total governmental activities	4,052,812	1,149,516	75,000	-	(2,828,296)	-	(2,828,296)
Business-type activities:							
Water and sewer services	3,868,041	4,243,339	-	5,000	-	380,298	380,298
Total business-type activities	3,868,041	4,243,339	-	5,000	-	380,298	380,298
Total primary government	\$ 7,920,853	\$ 5,392,855	\$ 75,000	\$ 5,000	\$ (2,828,296)	\$ 380,298	\$ (2,447,998)
Component Unit:							
Economic Development Corporation	269,688	-	-	-	(269,688)	-	(269,688)
Total component unit	\$ 269,688	\$ -	\$ -	\$ -	\$ (269,688)	\$ -	\$ (269,688)
General revenues:							
Ad valorem taxes					2,684,288	-	2,684,288
Sales taxes					754,026	-	754,026
Franchise taxes					69,602	-	69,602
Miscellaneous income and contributions					299,267	-	299,267
Unrestricted investment earnings					231,277	112,874	344,151
Impact fees					-	1,629,684	1,629,684
Transfers					(916,383)	960,233	43,850
					3,122,077	2,702,791	5,824,868
Total general revenues and transfers					293,781	3,083,089	3,376,870
Change in net position					6,321,561	11,716,652	18,038,213
Net position-beginning					\$ 6,615,342	\$ 14,799,741	\$ 21,415,083
Net position-ending							\$ 1,915,184

The accompanying notes are an integral part of these financial statements

CITY OF CADDO MILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General	Debt Service	Capital Projects	Non-Major Governmental Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 3,875,724	\$ -	\$ -	\$ 187,498	\$ 4,063,222
Cash and cash equivalents - restricted	53,473	149,226	4,000,362	-	4,203,061
Sales taxes receivable	161,704	-	-	-	161,704
Fines receivable	26,785	-	-	-	26,785
Property taxes receivable, net	22,013	38,278	-	-	60,291
Due from other funds	17,208	-	-	-	17,208
Total Assets	\$ 4,156,907	\$ 187,504	\$ 4,000,362	\$ 187,498	\$ 8,532,271
<u>LIABILITIES</u>					
Accounts payable	164,015	-	-	46	164,061
Construction payable	-	-	17,887	-	17,887
Retainage payable	-	-	66,986	-	66,986
Deposits payable	4,400	-	-	-	4,400
Due to other funds	-	-	-	17,208	17,208
Accrued salaries and benefits	51,990	-	-	-	51,990
Total Liabilities	220,405	-	84,873	17,254	322,532
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	22,013	38,278	-	-	60,291
Total Deferred Inflows of Resources	22,013	38,278	-	-	60,291
<u>FUND BALANCES</u>					
Restricted for:					
Debt Service	-	149,226	-	-	149,226
Municipal Court	53,473	-	-	-	53,473
Capital improvements	-	-	3,915,489	-	3,915,489
Assigned for:					
Airport	-	-	-	170,244	170,244
Unassigned	3,861,016	-	-	-	3,861,016
Total Fund Balances	3,914,489	149,226	3,915,489	170,244	8,149,448
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,156,907	\$ 187,504	\$ 4,000,362	\$ 187,498	\$ 8,532,271

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, 2024

Total Fund Balances - Governmental Funds 8,149,448

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 \$5,233,545 and the accumulated depreciation was (\$2,427,968). 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 (\$5,101,672). 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. (2,296,095)

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 2024 capital outlays of \$2,782,029 and debt principal payments of \$207,611 is to increase net position. 2,989,640

The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position. (231,618)

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 (\$41,276), a deferred resource inflow in the amount of (\$8,960), and a deferred resource outflow in the amount of \$81,179. This resulted in an increase in net position. 30,943

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 (\$34,534), a deferred resource inflow in the amount of (\$15,575), and a deferred resource outflow in the amount of \$9,333. This resulted in a (decrease) in net position. (40,776)

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. (1,986,200)

Net Position of Governmental Activities 6,615,342

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, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Fund	Total Governmental Funds
REVENUES:					
Ad valorem taxes	\$ 1,275,096	\$ 1,400,887	\$ -	\$ -	\$ 2,675,983
Franchise taxes	69,602	-	-	-	69,602
Sales tax	754,026	-	-	-	754,026
Impound income	24,701	-	-	-	24,701
Permits and fees	518,791	-	-	-	518,791
Fines	198,163	-	-	-	198,163
Grant revenue	75,000	-	-	-	75,000
PSA Fee revenue	407,861	-	-	-	407,861
Donations and other income	91,760	-	-	207,507	299,267
Interest	105,193	28,791	94,284	3,009	231,277
Total Revenues	3,520,193	1,429,678	94,284	210,516	5,254,671
EXPENDITURES:					
Administration	1,354,435	-	-	-	1,354,435
Building Inspections	296,068	-	-	-	296,068
Judicial	106,206	-	-	-	106,206
Police department	1,227,398	-	-	-	1,227,398
Fire protection	220,890	-	-	-	220,890
Parks & recreation	100,147	-	-	-	100,147
Airport	110,172	-	-	55,156	165,328
Grant expenditures	75,000	-	-	-	75,000
Capital Outlay	206,190	-	2,498,400	77,439	2,782,029
Debt Service:					
Principal retirement	207,611	-	-	-	207,611
Interest and fiscal charges	250,210	-	-	-	250,210
Bond issuance costs	-	-	79,240	-	79,240
Total Expenditures	4,154,327	-	2,577,640	132,595	6,864,562
Excess (Deficiency) of Revenues Over Expenditures	(634,134)	1,429,678	(2,483,356)	77,921	(1,609,891)
OTHER FINANCING SOURCES (USES):					
Transfers (out)	(107,325)	(1,369,030)	-	-	(1,476,355)
Transfers in	452,647	-	32,286	75,039	559,972
Bond premium	-	-	46,743	-	46,743
Capital Related Debt Issued	-	-	2,000,000	-	2,000,000
Net Other Financing Sources (Uses)	345,322	(1,369,030)	2,079,029	75,039	1,130,360
Net Change in Fund Balances	(288,812)	60,648	(404,327)	152,960	(479,531)
Fund Balance, October 1	4,203,301	88,578	4,319,816	17,284	8,628,979
Fund Balance, September 30	\$ 3,914,489	\$ 149,226	\$ 3,915,489	\$ 170,244	\$ 8,149,448

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, 2024

Total Net change in Fund Balances - Governmental Funds **\$ (479,531)**

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 2024 capital outlays of \$2,782,029 and debt principal payments of \$207,611 is to increase net position. 2,989,640

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. (231,618)

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 12/31/23 caused the change in the ending net position to increase in the amount of \$56,459. 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 (\$48,035). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by (\$6,364). The result of these changes is to increase the change in net position. 2,060

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 12/31/23 caused the change in the ending net position to increase in the amount of \$2,370. 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 (\$1,963). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense (decreased) the change in net position by (\$3,052). The result of these changes is to (decrease) the change in net position. (2,645)

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 (decrease) net position. (1,984,125)

Change in Net Position - Governmental Activities **\$ 293,781**

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, 2024

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,446,773
Restricted Cash and cash equivalents - interest and sinking	41,500
Restricted Cash and cash equivalents - capital projects	4,325,611
Accounts receivable, net	565,909
Total current assets	<u>8,379,793</u>
Noncurrent assets:	
Capital Assets	
Nondepreciable land	4,387,629
Nondepreciable construction in progress	1,640,049
Depreciable capital assets, net	15,440,129
Capital assets, net	<u>21,467,807</u>
Total assets	<u>29,847,600</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows- related to pensions	22,264
Deferred outflows- related to OPEB	2,559
Total deferred outflows of resources	<u>24,823</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 190,283
Retainage payable	38,561
Construction payable	522,465
Accrued salaries and benefits	35,044
Accrued interest payable	72,388
Unearned revenue - Impact Fees	1,059,558
Total current liabilities	<u>1,918,299</u>
Noncurrent liabilities:	
Meter deposits payable	304,988
Net pension liability	11,320
Net OPEB liability	9,470
Bonds payable - current	840,000
Bonds payable - long-term	11,981,880
Total non-current liabilities	<u>13,147,658</u>
Total liabilities	<u>15,065,957</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows- related to pensions	2,453
Deferred inflows- related to OPEB	4,272
Total deferred inflows of resources	<u>6,725</u>
NET POSITION	
Net investment in capital assets	8,645,927
Restricted for debt service	41,500
Restricted for capital projects	3,764,585
Unrestricted	2,347,729
Total Net Position	<u>\$ 14,799,741</u>

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, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
Operating revenues:	
Water sales	\$ 2,464,127
Sewer sales	975,497
Sanitation fees	621,217
Late fees	62,446
Other revenues	120,052
Total Operating Revenues	<u>4,243,339</u>
Operating expenses:	
Salaries and employee benefits	658,815
Water purchases	850,176
Sanitation contract	401,840
Repairs and maintenance	392,004
Fuel and oil	33,344
Utilities and telephone	114,758
Depreciation and amortization	644,069
Other expenses	247,421
Total Operating Expenses	<u>3,342,427</u>
Operating Income (loss)	<u>900,912</u>
Non-operating revenues (expenses):	
Impact fees	1,629,684
Interest income	112,874
Interest and fiscal charges	(525,614)
Total Nonoperating Revenues (Expenses)	<u>1,216,944</u>
Income (loss) before contributions and transfers	<u>2,117,856</u>
Capital grant revenue	5,000
Transfers in	960,233
Change in Net Position	<u>3,083,089</u>
Net Position, October 1	<u>11,716,652</u>
Net Position, September 30	<u><u>\$ 14,799,741</u></u>

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, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 4,174,605
Cash paid to suppliers	(2,861,461)
Cash paid to employees	(649,976)
Net cash provided (used) by operating activities	<u>663,168</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers (to) from other funds	960,233
Net cash provided for noncapital financing activities	<u>960,233</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital grants and contributions	5,000
Proceeds from impact fees	1,629,684
Proceeds from bond issuances	4,121,180
Acquisition of capital assets	(6,519,853)
Principal payments on bonds payable	(630,000)
Interest paid on debt	(470,666)
Net cash provided (used) by capital and related financing activities	<u>(1,864,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on deposits and investments	112,874
Net cash provided (used) by investing activities	<u>112,874</u>
Net increase (decrease) in cash and cash equivalents	(128,380)
Cash and cash equivalents, October 1	<u>7,942,264</u>
Cash and cash equivalents, September 30	<u><u>\$ 7,813,884</u></u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating income (loss)	\$ 900,912
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	644,069
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	(68,734)
Increase (decrease) in accounts payable	413,355
Increase (decrease) in retainage payable	(79,660)
Increase (decrease) in construction payable	135,140
Increase (decrease) in interfund accounts	(358,892)
Increase (decrease) in accrued salaries	8,679
Increase (decrease) in unearned revenue	(980,483)
Increase (decrease) in meter deposits	48,622
Increase (decrease) in net pension plan assets, outflows and inflows	(566)
Increase (decrease) in net OPEB plan assets, outflows and inflows	726
Net cash provided by operating activities	<u><u>\$ 663,168</u></u>

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

City of Caddo Mills, Texas
Notes to Financial Statements
September 30, 2024

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. These financial statements follow the financial reporting model under GASB Statement No. 34 and provide detailed information on the City’s activities, major funds, and overall financial condition.

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, 2024.

(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, 2024:

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 pooled cash and investment accounts that are shared among various governmental and proprietary funds. Additionally, certain funds hold non-pooled cash and investment accounts, which are reported separately in the respective fund's financial statements. These pooled and non-pooled accounts are presented as "cash and cash equivalents" on the appropriate financial statements.

Investments are reported at fair value in accordance with the fair value hierarchy established by generally accepted accounting principles (GAAP). The fair value of investments is determined based on the following

- Short-term, highly liquid investments are reported at cost, which approximates fair value
- Cash deposits are recorded at their carrying amount, which reasonably estimates fair value.

During the fiscal year, the City did not hold any publicly traded securities or long-term investments. However, if such investments were held, they would be reported at fair value as of the balance sheet date in accordance with the City's investment policy.

For financial reporting purposes, the City considers all highly liquid investments (including restricted assets) with an originally maturity of three months or less at the time of purchase 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 recognizes a lease receivable for agreements in which it serves as the lessor, measuring the receivable at the present value of lease payments expected to be received over the lease term.

At lease inception, the City also records a deferred inflow of resources equal to the lease receivable, representing the future inflow of resources from the lease. This deferred inflow is systematically reduced over the lease term as lease payments are received and recognized as lease revenue.

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

The City recognizes property tax revenue in accordance with the modified accrual basis of accounting for governmental fund financial statements and the accrual basis of accounting for government-wide financial statements.

Under the modified accrual basis, property tax revenues are recognized when they become measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay current liabilities. The City considers property taxes available if collected within 60 days after the fiscal year-end. Amounts not collected within this period are reported as deferred inflows of resources until they become available.

Under the accrual basis (government-wide statements), property taxes are recognized as revenue when levied, regardless of when collected.

The City levies property taxes annually, as authorized by Texas Property Tax Code, Subtitle E, Truth-in-Taxation Laws, which establishes guidelines for tax rate adoption, assessment, and collection procedures. Property taxes are assessed based on the January 1 taxable value of real and business personal property located within the City's jurisdiction. The tax rate is set annually by the City Council in compliance with Truth-in-Taxation requirements, ensuring transparency and limits on property tax increases without voter approval.

The City's property tax calendar follows these key dates:

- October 1 – The annual tax levy is assessed and becomes due and payable.

- January 1 – A tax lien attaches to the property securing unpaid taxes.
- February 1 – Unpaid taxes become delinquent, and penalties and interest begin to accrue.
- July 1 – Delinquent taxes are subject to collection fees and attorney charges for enforcement

Hunt County 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, 2024, was levied using a rate of \$0.4850 per one hundred dollars of assessed valuation. Taxes were allocated between the Maintenance of Operations \$0.23109 and Debt Service \$0.253910. Based on 100% of estimated market value, the City has a tax margin of \$1.015 per \$100 valuation. The City could raise an additional \$5,645,951 per year from the present assessed valuation of \$556,251,340 before the limit is reached. The amount assessed for the 2023 tax roll was \$2,697,819.

The City maintains an allowance for uncollectible property taxes, which is estimated at 10% of delinquent receivables. Over time, substantially all property taxes are collected, but delinquent accounts not collected within the availability period remain as deferred inflows of resources until received.

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 outflow 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 the employee services are performed, which is when contributions are legally due. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Investments are reported at fair value.

The City's net pension liability is determined using actuarial valuations that incorporate various assumptions, including discount rates, projected salary increases, mortality rates, and inflation, in accordance with GASB Statement No. 68. These actuarial valuations are performed biennially. Deferred inflows and outflows of resources related to pensions arise from changes in actuarial assumptions, differences between expected and actual experience, and differences between projected and actual investment earnings. Investment gains and losses are amortized over a five-year period, while other pension-related deferred inflows and outflows are reorganized over the expected remaining service lives of participating employees.

Pension contributions made after the measurement date but before the end of the reporting period are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The City's pension expense is recognized on a systematic basis over the expected service life of employees.

The Fiduciary Net Position of TMRS is determined using the economic resources measurement focus and the accrual basis of accounting, in accordance with GASB standards. The TMRS pension plan financial statements are publicly available as part of the TMRS Annual Comprehensive Financial Report (ACFR).

Other Post-Employment Benefits – OPEB

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefits Fund (SDBF) 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 are recognized when due and payable in accordance with benefit terms. Investments, if any, are reported at fair value.

The City's total OPEB liability is determined using actuarial valuations that incorporate various assumptions such as discount rates, projected salary increases, mortality rates, and healthcare cost trends, in accordance with GASB Statement No. 75. Deferred inflows and outflows of resources related to OPEB are recognized in the financial statements based on changes in actuarial assumptions, differences between expected and actual experience, and contributions made after the measurement date but before the reporting period ends. The OPEB expense is recognized on a systematic basis over the expected remaining services lives of participating employees.

Fund Equity

The City classifies its fund balances in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes categories based on the level of constraints imposed on fund balance resources. Fund balances are classified into the following categories:

Non-Spendable Fund Balance – Includes amounts that cannot be spent because they are either not in a spendable form (such as inventory, prepaid expenses, or long-term receivables) or legally required to remain intact (such as principal balances in permanent funds).

Restricted Fund Balance – Includes resources subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments. Examples include funds restricted for debt service, capital projects, or grants with external spending requirements.

Committed Fund Balance – Includes resources 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 Fund Balance- Comprises amounts that the City intends to use for a specific purpose but that do not meet the criteria for restricted or committed funds. The City Council has delegated the authority to assign fund balance to the City Manager or other designated official. Assignments generally do not require formal action and may be modified as needed.

Unassigned Fund Balance – Represents the residual fund balance in the General Fund and includes all spendable amounts that have not been restricted, committed, or assigned.

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.

In the government-wide and proprietary fund financial statements, the City follows GASB Statement No. 63, which replaces the term “Net Assets” with “Net Position”. Net position is classified into three categories.

Net Investment in Capital Assets – Represents the City’s capital assets, including land, buildings, infrastructure, and equipment, net of accumulated depreciation and any outstanding debt related to those assets.

Restricted Net Position – Includes amounts with external restrictions imposed by creditors, grant agreements, laws, or regulations, such as bond proceeds, grant funds, or externally restricted revenues.

Unrestricted Net Position – Represents all other net resources that do not meet the criteria for restricted or net investment in capital assets and are available for general use.

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

The City of Caddo Mills, Texas, follows the requirements of the Texas Public Funds Investment Act (Government Code Chapter 2256), which governs investment policies and procedures for local governments. This legislation mandates that the City adopt, implement, and maintain a formal investment policy that address the following key 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, (8) investment staff qualifications and (9) bid solicitation preferences for certificates of deposit.

Under Texas law, the City is authorized 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 City is also required to undergo annual independent audits to verify that its investment practices comply with the Texas Public Funds Investment Act and the City's investment policies.

Custodial credit risk for deposits refers to the risk that, in the event of a bank failure, the City's deposits may not be returned or that the City may not be able to recover collateral securities held by an outside party. The City's policy requires all deposits to be fully secured by either:

- Federal Deposit Insurance Corporation (FDIC) coverage, or
- Pledged collateral securities held at market or par value (whichever is lower) in the City's name.

All collateralized deposits must be secured through approved depository institutions, which must meet the financial health criteria established by the City's policy. Collateral agreements must be formally approved prior to depositing City funds, and the City Council review and approves all authorized depository institutions based on management recommendations.

As of September 30, 2024, all deposits of the City and its component unit, the Caddo Mills Economic Development Corporation (EDC), were fully insured or collateralized with securities held by the City, its agent, or the pledging financial institution's trust department in the City's name.

As of September 30, 2024, the City of Caddo Mills (governmental and proprietary funds) did not hold any investments. However, the Caddo Mills Economic Development Corporation (EDC) held \$875,439 in certificates of deposit, with a weighted average maturity of 95 days.

The City does not engagement in high-risk investment practices, and its policies prioritizes the preservation of capital, liquidity, and prudent investment diversification.

4. Disaggregation of Receivables

Receivables at September 30, 2024, were as follows:

	Accounts Receivable	Sales Taxes	Fines Receivable	Property Taxes	Due From Other	Total Receivables
Governmental Activities:						
General Fund	-	161,704	26,785	24,458	17,208	230,155
Debt Service Fund	-	-	-	42,532	-	42,532
Total Governmental Activities:	-	161,704	26,785	66,990	17,208	272,687
Amount not scheduled for collection during the subsequent year	-	-	-	(6,699)	-	(6,699)
Business-Type Activities:						
Major Enterprise Fund	594,383	-	-	-	-	594,383
Amount not scheduled for collection during the subsequent year	(28,474)	-	-	-	-	(28,474)
Component Unit Activities:						
Economic Development Corporation	138	80,852	-	-	-	80,990

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>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 85,956	\$ -	\$ -	\$ 85,956
Construction in progress	1,027,202	2,727,121	(250,469)	3,503,854
Non-depreciable assets	<u>1,113,158</u>	<u>2,727,121</u>	<u>(250,469)</u>	<u>3,589,810</u>
Depreciable capital assets:				
Buildings & improvements	210,688	-	75,272	285,960
Infrastructure	1,428,008	-	-	1,428,008
Vehicles	1,142,265	54,908	-	1,197,173
Furniture & equipment	1,339,426	-	175,197	1,514,623
Depreciable capital assets	<u>4,120,387</u>	<u>54,908</u>	<u>250,469</u>	<u>4,425,764</u>
Less: accumulated depreciation	<u>(2,427,968)</u>	<u>(231,618)</u>	<u>-</u>	<u>(2,659,586)</u>
Governmental Activities Capital Assets, net	<u>\$ 2,805,577</u>	<u>\$ 2,550,411</u>	<u>\$ -</u>	<u>\$ 5,355,988</u>
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 181,825	\$ 4,205,804	\$ -	\$ 4,387,629
Construction in progress	5,266,306	2,199,508	(5,825,765)	1,640,049
Non-depreciable assets	<u>5,448,131</u>	<u>6,405,312</u>	<u>(5,825,765)</u>	<u>6,027,678</u>
Depreciable capital assets:				
Buildings & improvements	161,592	-	-	161,592
Water & sewer system	15,908,948	-	5,825,765	21,734,713
Vehicles	182,108	68,216	-	250,324
Equipment	554,737	46,325	-	601,062
Depreciable capital assets	<u>16,807,385</u>	<u>114,541</u>	<u>5,825,765</u>	<u>22,747,691</u>
Less: accumulated depreciation	<u>(6,637,124)</u>	<u>(670,438)</u>	<u>-</u>	<u>(7,307,562)</u>
Business-Type Activities Capital Assets, net	<u>\$ 15,618,392</u>	<u>\$ 5,849,415</u>	<u>\$ -</u>	<u>\$ 21,467,807</u>

Governmental Activities:

Current year additions include the purchase of a GMC Truck for the police department for \$54,908.

In the prior fiscal years, the City incurred \$192,833 in engineering fees and other costs of \$46,225 for a street improvement project funded by bond proceeds. In fiscal year 2023, the City entered into a construction contract with Mike Rogers Construction for \$1,456,495, with a 25% contingency. In fiscal year 2023, the City made payments totaling \$445,985 under this contract. In fiscal year 2024, the City paid an additional \$1,016,694 towards the construction contract, along with \$22,710 in other related costs and engineering costs of \$90,697. As of year-end, the project remains incomplete and is classified as Construction in Progress.

In prior years, the City incurred \$157,000 in engineering costs related to work on the Airport. In fiscal year 2024, the City entered into a construction contract with CR Fabrication for the construction of an airport hangar, with a total contract price of \$2,698,496. During fiscal year 2024, the City incurred an additional \$11,798 in engineering costs and \$3,500 in other related expenses for this project. The City also made payments totaling \$1,353,000 toward the construction contract. As of year-end, the project remains incomplete and is classified as Construction in Progress.

In the prior year, the City began an expansion of the police department offices, incurring total costs of \$29,826. In fiscal year 2024, the City incurred an additional \$45,446 in costs related to the project. The expansion was completed by year-end and reclassified as Building and Improvements.

Additionally, the City began installation of a fuel station at the Airport. In the prior year, costs of \$97,758 were incurred. During fiscal year 2024, the City incurred an additional \$77,439 in costs related to the project. The project was completed by year-end and reclassified as Furniture and Equipment.

In the prior year, the City initiated planning for a park expansion, incurring engineering costs of \$57,575. In the current year, an additional \$105,837 was incurred for engineering services. As of year-end, no construction contract has been signed for this project, and it remains classified as Construction in Progress.

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

Police department	\$ 81,449
Airport	2,438
Public works	27,642
Fire protection	20,261
Administration	89,926
Parks & recreation	9,902
Total	<u>\$ 231,618</u>

Proprietary Activities:

Current year additions include the purchase of new land of \$4,205,804, purchase of a new trailer, zero turn mower, and a new reading system. Additionally, the City purchased a new truck for the Water Sewer Department for \$68,216.

In fiscal year 2021, the City initiated construction of a sewer plant and additional water storage to accommodate increasing development. The project was funded through Caddo Miss ISD and impact fees. Total expenditures in FY 2021 amounted to \$58,564. In fiscal year 2022, the City incurred construction costs of \$3,714,905, along with engineering costs of \$134,614 and other related fees totaling \$202,860. In fiscal year 2023, the City paid construction costs of \$645,468, engineering expenses of \$12,925, and other costs of \$44,450. In fiscal year 2024, the City incurred an additional \$18,426 in project-related costs. The project was completed in fiscal year 2024 and reclassified to Water and Sewer System.

In fiscal year 2023, the City began construction on a new maintenance building for public works, funded by the Series 2022 bond proceeds. In fiscal year 2023, the City paid \$433,610 to CR Fabrication for the steel building and incurred an additional \$18,910 in related costs. In fiscal year 2024, the City incurred an additional \$35,981 in project-related expenses. As the project was not completed by year-end, the costs are recorded as Construction in Progress.

In fiscal year 2024, the City began construction of additional water storage. To facilitate the project, the City entered into a \$1,448,000 construction contract with Preload, LLC. During the year, the City incurred \$771,216 in construction costs under this contract and an additional \$20,914 in engineering expenses related to this project. The project was not completed by year-end and is included in Construction in Progress.

In fiscal year 2024, the City began construction on a lift station on Highway 36. The City entered into a \$1,499,715 construction contract with Mike Rogers. During the year, the City incurred \$247,950 in construction costs under this contract, engineering costs of \$109,468 and other costs of \$2,000. The project was not completed by year-end and is included in Construction in Progress.

In fiscal year 2024, the City entered into a \$232,000 construction contract with Mike Rogers for water line extensions. During the year, the City incurred the full contract cost, along with an additional \$50,786 in engineering expenses. The project was completed by year-end and reclassified to Water and Sewer System.

In fiscal year 2024, the City entered into a \$695,000 construction contract with Summit Solutions a new lift station. During the year, the City incurred the full contract cost, along with other project costs of \$15,769. The project was completed by year-end and reclassified to Water and Sewer System.

Depreciation expense recorded in business-type activities and the Water and Sewer Fund was \$670,438.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

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.

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 3.00% 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 October 10, 2023, the City issued Combination Tax and Surplus Airport Revenue Certificates of Obligation, Series 2023, in the original principal amount of \$2,000,000. The certificates were issued to acquire, construct, or make improvements to the City's airport. Requires semi-annual payments of interest on February 15 and August 15 of each year and annual principal payments due on August 15 year.

Interest expense for governmental activities was \$250,210 and \$79,240 for bond issuance costs. This is reported as a separate line item on the statement of revenues, expenditures and changes in fund balance.

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.

On June 11, 2024, the City issued Combination Tax Revenue Certificates of Obligation, Series 2024, in the original principal amount of \$3,850,000. The certificates were issued to acquire, construct, equip, add, or improve infrastructure related to the City's water and sewer system, including the acquisition of land. Requires semi-annual payments of interest on February 15 and August 15 of each year and annual principal payments due on August 15 year.

Interest expense for business-type activities and the Water and Sewer Proprietary Fund was \$525,614

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, 2024:

	<u>Beginning</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	559,637	-	(32,611)	527,026	33,619
Combination Tax & Revenue Certificate of Obligation Series 2021, 3.0%	4,115,000	-	(175,000)	3,940,000	180,000
Combination Tax & Airport Revenue Certificate of Obligation Series 2023, 5.375-6.00%		2,000,000	-	2,000,000	60,000
Bond Premium	<u>385,458</u>	<u>46,743</u>	<u>(43,436)</u>	<u>388,765</u>	<u>-</u>
Total Governmental Activities	<u>5,060,095</u>	<u>2,046,743</u>	<u>(251,047)</u>	<u>6,855,791</u>	<u>273,619</u>
<i>Business-Type Activities</i>					
Combination Tax & Revenue Certificate of Obligation Series 2012, 1.75% to 4.05%	3,235,000	-	(310,000)	2,925,000	135,000
General Obligation Refunding Bonds Series 2020, 1.59%	1,225,000	-	(165,000)	1,060,000	170,000
Combination Tax & Revenue Certificate of Obligation Series 2022, 4.5%	4,620,000	-	(155,000)	4,465,000	160,000
Combination Tax & Revenue Certificate of Obligation Series 2024, 4-5%	-	3,850,000		3,850,000	375,000
Bond Premium	<u>277,070</u>	<u>271,180</u>	<u>(26,370)</u>	<u>521,880</u>	<u></u>
Total Business-Type Activities	<u>9,357,070</u>	<u>4,121,180</u>	<u>(656,370)</u>	<u>12,821,880</u>	<u>840,000</u>
Total Primary Government	<u>14,417,165</u>	<u>6,167,923</u>	<u>(907,417)</u>	<u>19,677,671</u>	<u>1,113,619</u>

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>							
	Notes Payable		Bonds - Series 2021		Bonds - Series 2023		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	33,619	16,315	180,000	115,500	60,000	112,062	273,619	243,877
2026	34,658	15,276	185,000	110,025	65,000	108,763	284,658	234,064
2027	35,728	14,206	190,000	104,400	70,000	105,188	295,728	223,794
2028	36,833	13,102	195,000	98,625	70,000	100,987	301,833	212,714
2029	37,971	11,963	205,000	92,625	75,000	96,788	317,971	201,376
2030-2034	208,195	41,476	1,115,000	366,075	450,000	410,438	1,773,195	817,989
2035-2039	140,022	8,802	1,295,000	185,625	600,000	266,788	2,035,022	461,215
2040-2044	-	-	575,000	17,325	610,000	84,119	1,185,000	101,444
Totals	<u>527,026</u>	<u>121,140</u>	<u>3,940,000</u>	<u>1,090,200</u>	<u>2,000,000</u>	<u>1,285,133</u>	<u>6,467,026</u>	<u>2,496,473</u>

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>									
	Certificates of Obligation Series 2012		Bonds Payable Series 2020		Bonds Payable Series 2022		Bonds Payable Series 2024		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	135,000	113,998	170,000	15,503	160,000	192,500	375,000	214,858	840,000	536,859
2026	140,000	109,735	170,000	12,800	170,000	184,250	175,000	162,875	655,000	469,660
2027	145,000	105,210	175,000	10,057	180,000	175,500	185,000	153,875	685,000	444,642
2028	150,000	100,415	180,000	7,234	190,000	166,250	195,000	144,375	715,000	418,274
2029	155,000	95,305	180,000	4,373	195,000	156,625	205,000	134,375	735,000	390,678
2030-2034	860,000	387,814	185,000	1,470	1,145,000	622,375	1,195,000	503,125	3,385,000	1,514,784
2035-2039	1,035,000	205,096	-	-	1,425,000	347,300	1,520,000	170,950	3,980,000	723,346
2040-2042	305,000	19,643	-	-	1,000,000	61,000	-	-	1,305,000	80,643
Totals	<u>2,925,000</u>	<u>1,137,216</u>	<u>1,060,000</u>	<u>51,437</u>	<u>4,465,000</u>	<u>1,905,800</u>	<u>3,850,000</u>	<u>1,484,433</u>	<u>12,300,000</u>	<u>4,578,886</u>

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

	Beginning Balance	Increase	Decrease	Ending Balance
Compensated Absences	60,972	1,341	-	62,313
	<u>60,972</u>	<u>1,341</u>	<u>-</u>	<u>62,313</u>

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from their applicable funds.

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, 2024, the City's lease receivable balance and the related deferred inflow of resources was \$19,803. For the fiscal year 2024, the City recognized \$9,255 as lease revenue, which includes amortization of the deferred inflow of resources and \$1,332 as interest revenue.

8. Defined Benefit Pension Plans

Plan Description

The City of Caddo Mills, Texas participates as one of 934 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.

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>27</u>
Total	<u><u>50</u></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 5.72% and 5.63% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024, were \$98,568 and equaled the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023, 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
		Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Market	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

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	Plan Fiduciary	Net Pension
	Pension Liability	Net Position	Liability
Balance at 12/31/2022	\$ 1,096,705	\$ 1,003,883	\$ 92,822
Changes for the year:			
Service cost	178,934	-	178,934
Interest	79,062	-	79,062
Change of benefit terms	-	-	-
Difference between expected and actual experience	11,376	-	11,376
Changes of assumptions	(12,122)	-	(12,122)
Contributions - employer	-	87,830	(87,830)
Contributions - employee	-	93,601	(93,601)
Net investment income	-	116,789	(116,789)
Benefit payments, including refunds of employee contributions	(29,778)	(29,778)	-
Administrative expense	-	(739)	739
Other changes	-	(5)	5
Net changes	227,472	267,698	(40,226)
Balance at 12/31/2023	\$ 1,324,177	\$ 1,271,581	\$ 52,596

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%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 241,383	\$ (103,740)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City recognized pension expense of \$95,942.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 10,169	\$ 1,806
Changes in actuarial assumptions	-	9,607
Difference between projected and actual investment earnings	21,302	-
Contributions subsequent to the measurement date	71,972	-
Total	<u>\$ 103,443</u>	<u>\$ 11,413</u>

\$71,972 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, 2025. 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,	
2025	\$ 6,789
2026	6,753
2027	16,449
2028	(9,933)
2029	-
Thereafter	-
Total	<u>\$ 20,058</u>

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

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Employees Covered by Benefit Terms

At the December 31, 2023 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	<u>27</u>
Total	<u><u>37</u></u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The rate is equal to the cost of providing one-year term life insurance. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City of Caddo Mills were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.23% in calendar years 2023 and 2024, respectively. The City's contributions to the TMRS SDBF for the year ended September 30, 2024 was \$4,106, which equaled the required contributions for the year.

Total OPEB Liability

Actuarial Assumptions

The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefit Fund (SDBF) are based on the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
- D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- E. Changes in Actuarial Assumptions and Methods — Mortality assumptions were modified as of December 31, 2019 valuation. In addition, premiums for retirees are based on full \$7,500 benefit versus the \$2,500 previously used. A credit is granted against premiums for active employees equal to 2% of the SDB Fund balance as of the valuation date expressed as a percentage of payroll.

Benefit Provisions

A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.

B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.

C. Benefit Amount — 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 a fixed amount of \$7,500.

Discount rate. The discount rate used to measure the Total OPEB Liability was 3.77%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	\$ 37,825
Changes for the year:	
Service cost	3,900
Interest on total OPEB liability	1,595
Change of benefit terms	-
Difference between expected and actual experience	(1,763)
Changes of assumptions and other inputs	3,227
Benefit payments, including refunds of employee contributions	(780)
Other changes	-
Net changes	6,179
Balance at 12/31/2023	\$ 44,004

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 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Increase in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB liability	\$ 54,329	\$ 44,004	\$ 36,186

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$4,669. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ 2,347	\$ 2,587
Changes in actuarial assumptions	6,525	17,260
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	3,020	-
Total	<u>\$ 11,892</u>	<u>\$ 19,847</u>

\$3,020 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, 2025. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2025	\$ (837)
2026	(2,304)
2027	(3,060)
2028	(3,390)
2029	(1,468)
Thereafter	84
Total	<u>\$ (10,975)</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, 2024, 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).

	Receivables (Due From)	Payables (Due to)
General Fund:		
Other Governmental Funds	17,208	-
Other Governmental Funds:		
General Fund	-	(17,208)
Total	<u>(17,208)</u>	<u>(17,208)</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	(75,039)	-
Debt Service Fund	(32,286)	408,797
Economic Development Corporation	-	43,850
	<u>(107,325)</u>	<u>452,647</u>
Water and Sewer Fund:		
Debt Service Fund	-	960,233
		<u>960,233</u>
Debt Service Fund:		
General Fund	(408,797)	32,286
Water and Sewer Fund	(960,233)	-
	<u>(1,369,030)</u>	<u>32,286</u>
Other Governmental Funds:		
General Fund	-	75,039
		<u>75,039</u>
Economic Development Corporation:		
General Fund	(43,850)	-
	<u>(43,850)</u>	<u>-</u>
Total	<u>(1,520,205)</u>	<u>1,520,205</u>

The City transferred \$1,369,030 from debt service fund to the general fund and water sewer fund for reimbursement of debt service payments. The general fund transferred \$75,039 to the airport fund for reimbursement of capital expenditure. The EDC transferred \$43,850 to the general fund for salary reimbursement for prior year.

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 2024, water purchases through this agreement totaled \$850,175.

The City contracts with Waste Connections Lone Star, Inc. for sanitation services. During fiscal year 2024, the cost of sanitation services paid through this contract were \$401,840.

12. Restricted Cash and Cash Equivalents

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

Restricted for debt service	\$ 190,726
Restricted for capital projects - bond proceeds	8,325,973
Restricted for municipal court	<u>53,473</u>
Totals	<u>\$ 8,570,172</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 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 \$2,040,041 at the beginning of the year. During fiscal year 2024, the City received \$649,202 in impact fees and spent \$1,629,685. The balance of deferred revenue for impact fees at the end of the year was \$1,059,558.

14. Professional Services Agreement (PSA) Fees

The City assesses Professional Services Agreement (PSA) Fees to developers to recover costs incurred by the City for professional service related to development activities. These fees are intended to reimburse the City for expenditures associated with engineering reviews, legal consultations, planning and zoning services, and other administrative costs incurred as part of the development approval process.

PSA Fees are recognized as revenue in the period in which the related services are provided. These fees are classified as Charges for Services in the City's governmental financial statements. For the fiscal year ended September 30, 2024, the City recognized PSA Fee revenue totaling \$407,861 which was primarily used to offset costs associated with professional services necessary for reviewing and processing development applications.

15. Subsequent Events

City Administration has evaluated subsequent events through March 25, 2025, the date which the financial statements were available to be issued.

Required Supplementary Information

CITY OF CADDO MILLS, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad valorem taxes	1,152,477	\$ 1,152,477	\$ 1,275,096	\$ 122,619
Franchise taxes	60,000	60,000	69,602	9,602
Sales tax	600,000	600,000	754,026	154,026
Impound income	35,000	35,000	24,701	(10,299)
Permits and fees	830,000	830,000	518,791	(311,209)
Fines	210,000	210,000	198,163	(11,837)
PSA Fee Revenue	- *	- *	407,861	407,861
Donations and other income	5,900	5,900	91,760	85,860
Grant revenues	-	-	75,000 ***	75,000
Interest	-	-	105,193	105,193
Total Revenues	2,893,377	2,893,377	3,520,193	626,816
EXPENDITURES:				
Administration	972,648 *	972,648 *	1,354,435	(381,787)
Building inspections	319,200	319,200	296,068	23,132
Judicial	167,100	167,100	106,206	60,894
Police department	1,104,600	1,104,600	1,227,398	(122,798)
Fire protection	220,800	220,800	220,890	(90)
Parks & recreation	894,163 **	894,163 **	100,147	794,016
Airport	-	-	110,172	(110,172)
Grant Expenditures	-	-	75,000 ***	(75,000)
Capital outlay:				
Police	189,000	189,000	100,353	88,647
Parks & recreation	105,837	105,837	105,837	-
Debt Service:				
Principal retirement	207,611	207,611	207,611	-
Interest and fiscal charges	138,148	138,148	250,210	(112,062)
Total Expenditures	4,319,107	4,319,107	4,154,327	164,780
Excess (deficiency) of revenues over (under) expenditures	(1,425,730)	(1,425,730)	(634,134)	791,596
OTHER FINANCING SOURCES (USES):				
Transfers in	345,760	345,760	452,647	106,887
Transfers out	-	-	(107,325)	(107,325)
Total Other Financing Sources (Uses)	345,760	345,760	345,322	(438)
Net change in fund balance	(1,079,970)	(1,079,970)	(288,812)	791,158
Fund balance, October 1	4,203,301	4,203,301	4,203,301	-
Fund balance, September 30	\$ 3,123,331	\$ 3,123,331	\$ 3,914,489	\$ 791,158

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.

***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, 2024

	Plan Year Ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 178,934	\$ 145,087	\$ 115,416	\$ 92,945	\$ 68,731	\$ 68,951	\$ 62,620	\$ 60,914	\$ 43,401	\$ 35,360
Interest (on the total pension liability)	79,062	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	11,376	(3,046)	151	8,051	194	(41,146)	7,291	(23,922)	2,819	396
Change of assumptions	(12,122)	-	-	-	5,709	-	-	-	15,999	-
Benefit payments, including refunds of employee contributions	(29,778)	(37,724)	(23,766)	(14,325)	(35,811)	(39,260)	(7,682)	(34,675)	(4,814)	(18,513)
Net Change in Total Pension Liability	227,472	170,462	147,462	132,920	78,248	26,099	94,272	31,280	104,175	37,063
Total Pension Liability - Beginning	1,096,705	926,243	778,781	645,861	541,514	541,514	447,242	415,962	311,787	274,724
Total Pension Liability - Ending (a)	\$ 1,324,177	\$ 1,096,705	\$ 926,243	\$ 778,781	\$ 619,762	\$ 567,613	\$ 541,514	\$ 447,242	\$ 415,962	\$ 311,787
Plan Fiduciary Net Position										
Contributions - employer	\$ 87,830	\$ 75,886	\$ 55,456	\$ 48,265	\$ 38,331	\$ 36,922	\$ 34,266	\$ 31,500	\$ 16,456	\$ 11,610
Contributions - employee	93,601	77,174	60,061	50,015	36,048	35,788	32,643	32,088	27,193	24,701
Net investment income	116,789	(70,169)	100,126	48,210	79,914	(14,962)	53,540	22,642	437	15,092
Benefit payments, including refunds of employee contributions	(29,778)	(37,724)	(23,766)	(14,325)	(35,811)	(39,260)	(7,682)	(34,675)	(4,814)	(18,513)
Administrative expense	(739)	(606)	(463)	(312)	(452)	(289)	(278)	(256)	(266)	(157)
Other	(5)	723	3	(12)	(14)	(15)	(14)	(14)	(13)	(13)
Net Change in Plan Fiduciary Net Position	267,698	45,284	191,417	131,841	118,016	18,184	112,475	51,285	38,993	32,720
Plan Fiduciary Net Position - Beginning	1,003,883	958,599	767,183	635,342	517,326	499,142	386,667	335,382	296,389	263,669
Plan Fiduciary Net Position - Ending (b)	\$ 1,271,581	\$ 1,003,883	\$ 958,600	\$ 767,183	\$ 635,342	\$ 517,326	\$ 499,142	\$ 386,667	\$ 335,382	\$ 296,389
Net Pension Liability - Ending (a) - (b)	\$ 52,596	\$ 92,822	\$ (32,357)	\$ 11,598	\$ (15,580)	\$ 50,287	\$ 42,372	\$ 60,575	\$ 80,580	\$ 15,398
Plan Fiduciary Net Position as a Percentage of Total Pension Liability										
	96.03%	91.54%	103.49%	98.51%	102.51%	91.14%	92.18%	86.46%	80.63%	95.06%
Covered Payroll										
	\$ 1,560,020	\$ 1,286,233	\$ 1,001,009	\$ 833,590	\$ 600,799	\$ 596,464	\$ 544,049	\$ 534,799	\$ 543,866	\$ 494,028
Net Pension Liability as a Percentage of Covered Payroll	3.37%	7.22%	-3.23%	1.39%	-2.59%	8.43%	7.79%	11.33%	14.82%	3.12%

Note: Ten years of data is presented in accordance with GASB #68, paragraph 138.

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, 2024

	Fiscal Year Ended September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 98,568	\$ 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	(98,568)	(82,907)	(70,601)	(52,125)	(46,160)	(37,753)	(35,999)	(33,493)	(28,905)	(15,793)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,730,658	\$ 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%	5.70%	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: Ten years of data is presented in accordance with GASB #68, paragraph 138.

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,	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 3,900	\$ 4,630	\$ 3,904	\$ 2,334	\$ 1,322	\$ 1,789	\$ 1,415
Interest on the total OPEB liability	1,595	1,086	1,027	1,110	1,728	907	848
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,763)	410	833	(838)	(17,407)	19,376	-
Changes in assumptions or other inputs	3,227	(24,704)	2,169	8,019	7,803	(2,604)	2,586
Benefit payments *	(780)	(643)	(601)	(250)	(60)	(60)	(54)
Net Change in Total OPEB Liability	6,179	(19,221)	7,332	10,375	(6,614)	19,408	4,795
Total OPEB Liability - Beginning	37,825	57,046	49,714	39,339	45,953	26,545	21,750
Total OPEB Liability - Ending	\$ 44,004	\$ 37,825	\$ 57,046	\$ 49,714	\$ 39,339	\$ 45,953	\$ 26,545
Covered Payroll	\$ 1,560,020	\$ 1,286,233	\$ 1,001,009	\$ 833,590	\$ 600,799	\$ 596,464	\$ 544,049
Total OPEB Liability as a Percentage of Covered Payroll	2.82%	2.94%	5.70%	5.96%	6.55%	7.70%	4.88%

Note: Only seven 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, 2024**

TMRS PENSION

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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rate are multiplied by 105%. The rates are projected on a fully general basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 100% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence)/

Other Information:

Notes There were no benefit changes during the year

TMRS OPEB

Methods and assumptions Used to Determine Contribution Rates for OPEB:

Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate *	3.77%
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. Male rate are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully-generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected

Other Information

CITY OF CADDO MILLS, TEXAS
OTHER INFORMATION
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2024 (UNAUDITED)

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance 9/30/2024
2023	2024	\$ 16,209
2022	2023	11,213
2021	2022	7,485
2020	2021	4,730
2019	2020	5,102
2018	2019	4,235
2017	2018	3,407
2016	2017	3,273
2015	2016	4,409
2014	2015 and prior	6,927
	Allowance for uncollectible taxes	<u>(6,699)</u>
	Delinquent taxes receivable, net	<u>\$ 60,291</u>

CITY OF CADDO MILLS, TEXAS
OTHER INFORMATION
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2024 (UNAUDITED)

Tax Roll Year	Fiscal Year Ended September 30	Tax Rates
2023	2024	0.485000
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

CITY OF CADDO MILLS, TEXAS
OTHER INFORMATION
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION
YEAR ENDED SEPTEMBER 30, 2024 (UNAUDITED)

Tax Roll Year	Fiscal Year Ended September 30	Net Taxable Valuation
2023	2024	\$ 556,251,340
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

Overall Internal Control and Compliance



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2025.

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.

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

March 25, 2025

**CITY OF CADDO MILLS, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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, 2024**

No prior year audit findings.

**CITY OF CADDO MILLS, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

There were no current year findings.