

CITY OF GLEN ROSE

ANNUAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED SEPTEMBER 30, 2023

CITY OF GLEN ROSE
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Glen Rose, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Glen Rose, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Glen Rose'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, and each major fund of the City of Glen Rose, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 City of Glen Rose, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to or 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required TMRS schedules on pages 3 through 8 and 36 through 39 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of the City of Glen Rose, 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 the 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 Glen Rose, Texas' internal control over financial reporting and compliance.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
November 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Glen Rose's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2023. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total Net Position increased \$1,752,635 from prior year. Net position of our business-type activities increased \$177,874 (1.1%). Net position of our governmental activities increased \$1,574,761 or (10.6%), after the prior period adjustment.
- During the year, the City's expenditures were \$1,574,761 less than the \$3,982,306 generated in taxes and other revenues for governmental programs.
- In the City's business-type activities, revenues were \$2,488,529 while expenses were \$2,310,655.
- The total cost of the City's programs was \$4,718,200, and no new programs were added during fiscal year 2023.
- The general fund reported fund balance of \$7,938,765.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements and a section of information required by the Government Accountability Office (GAO).

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, cultural and recreational, and highways and streets. Business-type activities include water utilities, sewer services and sanitation services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund can be found in the required supplementary information. This statement demonstrates compliance with the city's adopted and final revised budget.

Proprietary funds are required in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water utilities, sewer and sanitation services. Internal service funds provide services and charge fees to customers within the city organization such as equipment services (repair and maintenance of City vehicles) and the print shop (mail and printing services for City departments). The City has no internal service funds.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements with more detail for major enterprise funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the City as a Whole

Net Position. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$32,381,579. This is an increase of \$1,752,635 from last year's net position of \$30,628,944, after the prior period adjustment. The following Table A-1 provides a summary of the City's net position at September 30, 2023 and 2022.

Table A-1
City of Glen Rose's Net Position

	Governmental		Business-type		Totals		Percentage Change
	Activities		Activities				
	2023	2022	2023	2022	2023	2022	
Current and Other Assets	\$ 8,091,575	\$ 6,787,721	\$ 4,935,742	\$ 4,707,099	\$ 13,027,317	\$ 11,494,820	13.33%
Capital and Non-Current Assets	8,871,919	8,538,009	14,708,879	14,399,834	23,580,798	22,937,843	2.80%
Total Assets	16,963,494	15,325,730	19,644,621	19,106,933	36,608,115	34,432,663	
Deferred Outflows of Resources	387,466	108,797	108,722	30,122	496,188	138,919	257.18%
Current Liabilities	89,901	83,290	867,265	355,911	957,166	439,201	117.93%
Long Term Liabilities	769,703	215,242	2,928,241	2,933,568	3,697,944	3,148,810	17.44%
Total Liabilities	859,604	298,532	3,795,506	3,289,479	4,655,110	3,588,011	
Deferred Inflows of Resources	52,740	292,457	14,874	82,487	67,614	374,944	-81.97%
Net Position							
Net Investment in Capital Assets	8,871,919	8,538,009	12,020,714	11,543,282	20,892,633	20,081,291	4.04%
Unrestricted	7,566,697	6,305,529	3,922,249	4,221,807	11,488,946	10,527,336	9.13%
Total Net Position	\$ 16,438,616	\$ 14,843,538	\$ 15,942,963	\$ 15,765,089	\$ 32,381,579	\$ 30,608,627	

Net position in the City's governmental activities increased 10.6%, after the prior period adjustment, to \$16,438,616. Net position increased 1.1% to \$15,942,963 in business-type activities of the government. \$20,892,633 of the total net position is invested in capital assets (distribution and collection system, equipment, etc.) net of long-term debt. Consequently, unrestricted net position was \$11,488,946 at the end of this year.

Changes in Net Position. The City's total revenues were \$6,470,835. Charges for services made up over a third of the City's revenue (39%) while 52 cents of every dollar raised comes from some type of tax. (See Figure A-1)

The total cost of all programs and services was \$4,718,200. The City's expenses cover a range of services, with nearly one half (or 49%) related to business-type activities. (See Figure A-2)

Figure A-1
City Sources of Revenue for Fiscal Year 2023

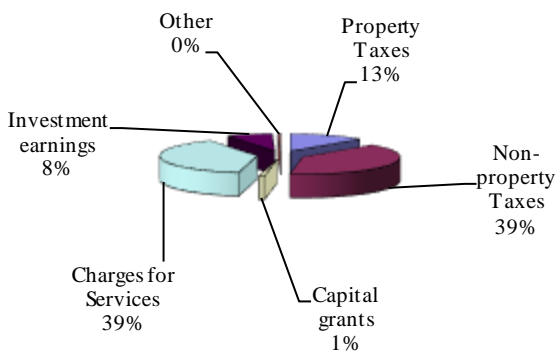
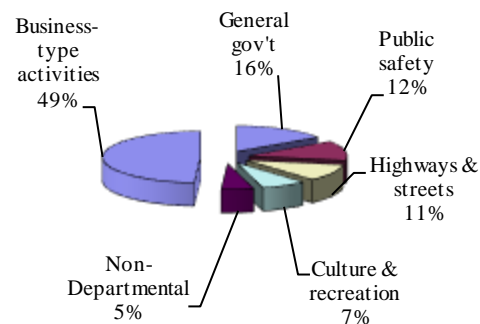


Figure A-2
City Functional Expenses for Fiscal Year 2023



Governmental Activities

Revenues for the City's governmental activities were \$3,982,306, while total expenses were \$2,407,545. The City is increasing its tax base by bringing in new businesses and homes. The increase of new business adds revenue through two avenues; 1) property tax, and 2) sales tax.

Table A-2
Changes in City of Glen Rose, Texas' Net Position

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	2023	2022	2023	2022	2023	2022	
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 211,156	\$ 223,445	\$ 2,312,467	\$ 2,159,171	\$ 2,523,623	\$ 2,382,616	5.92%
Capital/Operating Grants and Contributions		661	57,856	500,321	57,856	500,982	-88.45%
<u>General Revenues</u>							
Property tax	816,995	800,036			816,995	800,036	2.12%
Sales tax	1,979,668	1,758,248			1,979,668	1,758,248	12.59%
Gross receipts tax	213,870	207,824			213,870	207,824	2.91%
Occupancy tax	362,000	377,199			362,000	377,199	-4.03%
Investment Earnings	371,692	47,508	117,498	18,103	489,190	65,611	645.59%
Other income	26,925	48,722	708	5,974	27,633	54,696	-49.48%
Transfers							
Total Revenues	<u>3,982,306</u>	<u>3,463,643</u>	<u>2,488,529</u>	<u>2,683,569</u>	<u>6,470,835</u>	<u>6,147,212</u>	
Expenses							
General Government	732,447	525,631			732,447	525,631	39.35%
Public Safety	578,802	538,429			578,802	538,429	7.50%
Highways and Streets	495,810	465,969			495,810	465,969	6.40%
Culture and Recreation	349,054	379,988			349,054	379,988	-8.14%
Non-departmental	251,432	321,169			251,432	321,169	-21.71%
Water and Sewer			2,310,655	1,834,430	2,310,655	1,834,430	25.96%
Total Expenses	<u>2,407,545</u>	<u>2,231,186</u>	<u>2,310,655</u>	<u>1,834,430</u>	<u>4,718,200</u>	<u>4,065,616</u>	
Change in Net Position	<u>\$ 1,574,761</u>	<u>\$ 1,232,457</u>	<u>\$ 177,874</u>	<u>\$ 849,139</u>	<u>\$ 1,752,635</u>	<u>\$ 2,081,596</u>	

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$7,971,797.

The total ending fund balances of governmental funds show an increase of \$1,274,927 over the prior year. This increase is primarily the result of increased sales tax revenue and investment income.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased \$1,262,314.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The City's major proprietary fund is the Utility Fund which consists of the water, sewer and sanitation services. Total net position at the end of the year was \$15,942,963. The Utility Fund had an increase in net position of \$177,874. The increase is mainly due to increased utility revenue.

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2023 was \$4,208,853. This was an increase from the previous year's expenditures of approximately \$2,315,006.

The City amended its budget during the year. Increases included increases in general government and decreases in highways and streets, and culture and recreation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2023, was \$8,871,919 and \$14,683,879, respectively. The total change in this net investment was an increase of 4.1% in the governmental and an increase of 2.2% for business-type activities. The overall increase was 2.9% for the City as a whole. The most significant capital asset additions during the current fiscal year were for construction on the Spanish Oak Trail water line improvement project and the Grand Ave list station, Valleyview Street improvements, the sidewalk project, purchase of a vehicle, and City Hall renovations. See Table A-3 for additional information about changes in capital assets during the fiscal year.

Table A-3
City's Capital Assets

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	2023	2022	2023	2022	2023	2022	
Land & improvements	\$ 798,972	\$ 798,972	\$ 67,337	\$ 67,337	\$ 866,309	\$ 866,309	
Construction in progress		14,376				14,376	-100.00%
Buildings & improvements	832,857	763,034	57,943	57,943	890,800	820,977	8.50%
Machinery & equipment	1,128,687	1,077,299	777,620	768,670	1,906,307	1,845,969	3.27%
Infrastructure	9,973,851	9,466,156	21,214,841	20,366,662	31,188,692	29,832,818	4.54%
Total at historical cost	12,734,367	12,119,837	22,117,741	21,260,612	34,852,108	33,380,449	
Accumulated depreciation	3,862,448	3,581,828	7,433,862	6,893,778	11,296,310	10,475,606	7.83%
Net capital assets	\$ 8,871,919	\$ 8,538,009	\$ 14,683,879	\$ 14,366,834	\$ 23,555,798	\$ 22,904,843	

Long-term Debt

At year-end, the City had \$2,660,000 in bonds payable. See Table A-4.

Table A-4
City's Outstanding Debt

			Dollar Change	Total % Change
	2023	2022		
Business-type				
Certificates of Obligation, Series 2016	\$ 2,660,000	\$ 2,820,000	\$ (160,000)	-5.67%
	\$ 2,660,000	\$ 2,820,000	\$ (160,000)	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City is working on bringing residents into the City of Glen Rose by adding residential areas. By bringing in new residents, revenue of the City is increased through sales tax revenues and property tax revenues.

- Appraised value used for the 2023-2024 budget preparation increased approximately \$51 million from prior years.
- Water, sewer and sanitation rates are expected to increase in the fiscal year 2024.

These indicators were taken into account when adopting the general fund and utility fund budgets for 2024. Overall, expenditures are planned to increase due to capital improvements in the General Fund.

The General Fund expenditures are budgeted at \$3,723,900, which is an increase of \$1,367,909 from current year expenditures. The City has added no major new programs or initiatives to the 2024 budget. but has budgeted for some street improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Glen Rose's City Administrator, Glen Rose, Texas

BASIC FINANCIAL STATEMENTS

CITY OF GLEN ROSE

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,211,701	\$ 2,525,759	\$ 5,737,460
Investments	4,367,431	2,167,752	6,535,183
Receivables, net	512,443	232,231	744,674
Note receivable - current		10,000	10,000
Total current assets	<u>8,091,575</u>	<u>4,935,742</u>	<u>13,027,317</u>
Non-current Assets			
Note receivable - long term		25,000	25,000
Capital assets:			
Land and improvements	798,972	67,337	866,309
Infrastructure, net	7,502,058	14,528,387	22,030,445
Buildings and improvements, net	463,656	27,330	490,986
Machinery and equipment, net	107,233	60,825	168,058
Total non-current assets	<u>8,871,919</u>	<u>14,708,879</u>	<u>23,580,798</u>
Total Assets	<u>16,963,494</u>	<u>19,644,621</u>	<u>36,608,115</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to TMRS Pension	371,288	104,156	475,444
Deferred outflows related to TMRS OPEB	16,178	4,566	20,744
Total Deferred Outflows of Resources	<u>387,466</u>	<u>108,722</u>	<u>496,188</u>
LIABILITIES			
Current Liabilities			
Accounts payable	62,043	687,238	749,281
Payroll liabilities	27,858	16,862	44,720
Accrued interest		3,165	3,165
Bonds and notes payable - current		160,000	160,000
Total current liabilities	<u>89,901</u>	<u>867,265</u>	<u>957,166</u>
Non-current Liabilities			
Utility deposits		196,391	196,391
Accrued compensated absences	57,824	31,062	88,886
Bonds and notes payable - non current		2,500,000	2,500,000
Net pension liability	642,524	181,226	823,750
Net OPEB liability	69,355	19,562	88,917
Total non-current liabilities	<u>769,703</u>	<u>2,928,241</u>	<u>3,697,944</u>
Total Liabilities	<u>859,604</u>	<u>3,795,506</u>	<u>4,655,110</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to TMRS Pension	23,703	6,684	30,387
Deferred inflows related to TMRS OPEB	29,037	8,190	37,227
Total Deferred Inflows of Resources	<u>52,740</u>	<u>14,874</u>	<u>67,614</u>
NET POSITION			
Net investment in capital assets	8,871,919	12,020,714	20,892,633
Unrestricted	7,566,697	3,922,249	11,488,946
Total Net Position	<u>\$ 16,438,616</u>	<u>\$ 15,942,963</u>	<u>\$ 32,381,579</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital grants and Contributions</u>
Primary Government			
Governmental Activities:			
General government	\$ 732,447	\$	\$
Public safety	578,802	185,656	
Highways and streets	495,810		
Culture and recreation	349,054	25,500	
Non-departmental	251,432		
Total governmental activities	<u>2,407,545</u>	<u>211,156</u>	
Business-type Activities:			
Utility fund	<u>2,310,655</u>	<u>2,312,467</u>	<u>57,856</u>
Total business-type activities	<u>2,310,655</u>	<u>2,312,467</u>	<u>57,856</u>
Total Primary Government	<u>\$ 4,718,200</u>	<u>\$ 2,523,623</u>	<u>\$ 57,856</u>

General Revenues:

- Taxes:
 - Property tax
 - Sales tax
 - Gross receipts tax
 - Beverage tax
 - Occupancy tax
- Investment earnings
- Miscellaneous income
- Total general revenues and transfers

Change in Net Position

Net Position - Beginning
 Prior period adjustment
 Net Position - Beginning, As Restated

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (732,447)	\$	\$ (732,447)
(393,146)		(393,146)
(495,810)		(495,810)
(323,554)		(323,554)
<u>(251,432)</u>		<u>(251,432)</u>
<u>(2,196,389)</u>		<u>(2,196,389)</u>
	<u>59,668</u>	<u>59,668</u>
	<u>59,668</u>	<u>59,668</u>
<u>(2,196,389)</u>	<u>59,668</u>	<u>(2,136,721)</u>
816,995		816,995
1,960,503		1,960,503
213,870		213,870
19,165		19,165
362,000		362,000
371,692	117,498	489,190
26,925	708	27,633
<u>3,771,150</u>	<u>118,206</u>	<u>3,889,356</u>
<u>1,574,761</u>	<u>177,874</u>	<u>1,752,635</u>
14,843,538	15,765,089	30,608,627
20,317		20,317
<u>14,863,855</u>	<u>15,765,089</u>	<u>30,628,944</u>
<u>\$ 16,438,616</u>	<u>\$ 15,942,963</u>	<u>\$ 32,381,579</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF GLEN ROSE

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	<u>General</u>	<u>Convention and Visitors' Bureau</u>	<u>Total Governmental Funds</u>
ASSETS			
Current:			
Cash and cash equivalents	\$ 3,211,598	\$ 103	\$ 3,211,701
Investments	4,367,431		4,367,431
Receivables			
Sales tax	317,342		317,342
Property tax	52,318		52,318
Allowance for property tax	(22,441)		(22,441)
Court fines	27,882		27,882
Allowance for court fines	(1,159)		(1,159)
Other receivables	105,572	32,929	138,501
Total Assets	<u>\$ 8,058,543</u>	<u>\$ 33,032</u>	<u>\$ 8,091,575</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 62,043	\$	\$ 62,043
Payroll liabilities	27,858		27,858
Total Liabilities	<u>89,901</u>		<u>89,901</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	29,877		29,877
Total Deferred Inflows of Resources	<u>29,877</u>		<u>29,877</u>
FUND BALANCE			
Committed			
Vehicles and equipment	40,000		40,000
Unassigned	7,898,765	33,032	7,931,797
Total Fund Balance	<u>7,938,765</u>	<u>33,032</u>	<u>7,971,797</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 8,058,543</u>	<u>\$ 33,032</u>	<u>\$ 8,091,575</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	\$	7,971,797
<p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p>		
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 \$12,119,837 and the accumulated depreciation was \$3,581,828.		8,538,009
Current year capital outlays and dispositions are expenditures in the fund financial statements, but are shown as increases to capital assets in the SNP.		614,530
Depreciation expense decreases net position in SNP.		(280,620)
Compensated absences are recorded in SNP but not fund financial statements.		(57,824)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$642,524 a deferred resource inflow in the amount of \$23,703, and a deferred resource outflow in the amount of \$371,288. This resulted in a decrease in net position by \$294,939.		(294,939)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$69,355, a deferred resource inflow in the amount of \$29,037, and a deferred resource outflow of \$16,178. This resulted in a decrease in net position by \$82,214.		(82,214)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>29,877</u>
Net position of governmental activities - statement of net position	\$	<u><u>16,438,616</u></u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General</u>	<u>Convention and Visitors' Bureau</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 814,996	\$	\$ 814,996
Sales tax	1,960,503		1,960,503
Gross receipt tax	213,870		213,870
Beverage tax	19,165		19,165
Occupancy tax		362,000	362,000
Licenses and permits	107,748		107,748
Fines and forfeitures	77,908		77,908
Investment income	371,690	2	371,692
Rental income	25,500		25,500
Miscellaneous income	26,925		26,925
Total Revenues	<u>3,618,305</u>	<u>362,002</u>	<u>3,980,307</u>
EXPENDITURES			
Current:			
General government	690,952		690,952
Public safety	546,552		546,552
Highways and streets	818,259		818,259
Culture and recreation	(335)	349,389	349,054
Non-departmental	300,563		300,563
Total Expenditures	<u>2,355,991</u>	<u>349,389</u>	<u>2,705,380</u>
Net Change in Fund Balances	<u>1,262,314</u>	<u>12,613</u>	<u>1,274,927</u>
Fund Balance - Beginning	6,676,451	102	6,676,553
Prior period adjustment		20,317	20,317
Fund Balance - Beginning, As Restated	<u>6,676,451</u>	<u>20,419</u>	<u>6,696,870</u>
Fund Balance - Ending	<u>\$ 7,938,765</u>	<u>\$ 33,032</u>	<u>\$ 7,971,797</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

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

Total change in fund balance - total governmental funds	\$ 1,274,927
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>	
Depreciation expense is not recorded in the fund financial statements.	(280,620)
Capital outlay is recorded as an expenditure in the fund financial statements, but as an asset in the SNP.	614,530
Compensated absences is recorded in the statement of net position. The change in the balance is to decrease net position.	(1,661)
<p>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 December 31, 2022 caused the change in the ending net position to increase in the amount of \$88,267. 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 \$83,091. The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$40,158. The result of these changes is to decrease the change in net position by \$34,982.</p>	(34,982)
<p>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 December 31, 2022 caused the change in the ending net position to increase in the amount of \$3,047. 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 \$1,979. The City's reported TMRS total OPEB expense had to be recorded. The total OPEB expense decreased the change in net position by \$500. The result of these changes is to increase the change in net position of \$568.</p>	568
<p>Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.</p>	<u>1,999</u>
Change in net position governmental activities - statement of activities	<u><u>\$ 1,574,761</u></u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF GLEN ROSE

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Utility Fund	Total Enterprise Funds
	<u> </u>	<u> </u>
ASSETS		
Current:		
Cash and cash equivalents	\$ 2,525,759	\$ 2,525,759
Investments	2,167,752	2,167,752
Accounts receivable, net	232,231	232,231
Note receivable - current	10,000	10,000
Total current	<u>4,935,742</u>	<u>4,935,742</u>
Non current:		
Note receivable - non-current	25,000	25,000
Land and land improvements	67,337	67,337
Infrastructure, net	14,528,387	14,528,387
Buildings and improvements, net	27,330	27,330
Machinery and equipment, net	60,825	60,825
Total non current	<u>14,708,879</u>	<u>14,708,879</u>
TOTAL ASSETS	<u>19,644,621</u>	<u>19,644,621</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to TMRS Pension	104,156	104,156
Deferred outflows related to TMRS OPEB	4,566	4,566
Total Deferred Outflows of Resources	<u>108,722</u>	<u>108,722</u>
LIABILITIES		
Current		
Accounts payable	687,238	687,238
Payroll liabilities	16,862	16,862
Accrued interest payable	3,165	3,165
Bonds payable - current	160,000	160,000
Total current	<u>867,265</u>	<u>867,265</u>
Non current:		
Customer deposits	196,391	196,391
Accrued compensated absences	31,062	31,062
Bonds payable	2,500,000	2,500,000
Net pension liability	181,226	181,226
Net OPEB liability	19,562	19,562
Total non current	<u>2,928,241</u>	<u>2,928,241</u>
TOTAL LIABILITIES	<u>3,795,506</u>	<u>3,795,506</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to TMRS Pension	6,684	6,684
Deferred inflows related to TMRS OPEB	8,190	8,190
Total Deferred Inflows of Resources	<u>14,874</u>	<u>14,874</u>
NET POSITION		
Net investment in capital assets	12,020,714	12,020,714
Unrestricted	3,922,249	3,922,249
TOTAL NET POSITION	<u>\$ 15,942,963</u>	<u>\$ 15,942,963</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

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

	<u>Utility Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues:		
Water services	\$ 1,240,818	\$ 1,240,818
Sewer services	630,640	630,640
Sanitation services	441,009	441,009
Grants	57,856	57,856
Miscellaneous revenue	708	708
Total operating revenues	<u>2,371,031</u>	<u>2,371,031</u>
Operating Expenses:		
Water department	1,217,010	1,217,010
Sewer department	190,377	190,377
Waste water treatment plant	400,109	400,109
Sanitation	423,496	423,496
Total operating expenses	<u>2,230,992</u>	<u>2,230,992</u>
Net operating income	<u>140,039</u>	<u>140,039</u>
Nonoperating income/(expense):		
Interest income	117,498	117,498
Interest expense	<u>(79,663)</u>	<u>(79,663)</u>
Total nonoperating income/(expenses)	<u>37,835</u>	<u>37,835</u>
Change in Net Position	177,874	177,874
Net Position - Beginning of Year	<u>15,765,089</u>	<u>15,765,089</u>
Net Position - End of Year	<u>\$ 15,942,963</u>	<u>\$ 15,942,963</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Utility Fund</u>	<u>Total Enterprise Funds</u>
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 2,293,328	\$ 2,293,328
Cash received from grants	57,856	57,856
Cash received from miscellaneous sources	708	708
Cash payments to suppliers for goods and services	(847,321)	(847,321)
Cash payments for employees services and benefits	<u>(326,226)</u>	<u>(326,226)</u>
Net cash provided by operating activities	<u>1,178,345</u>	<u>1,178,345</u>
<u>Cash flows from noncapital financing activities:</u>		
Pension funding	17,642	17,642
OPEB funding	<u>(7,936)</u>	<u>(7,936)</u>
Net cash provided by noncapital financing activities	<u>9,706</u>	<u>9,706</u>
<u>Cash flows from capital and related financing activities:</u>		
Principal paid on bonds payable	(160,000)	(160,000)
Interest expense	(79,663)	(79,663)
Acquisition of property and equipment	<u>(857,129)</u>	<u>(857,129)</u>
Net cash used by capital and related financing activities	<u>(1,096,792)</u>	<u>(1,096,792)</u>
<u>Cash flows from investing activities:</u>		
Purchase of investments	(95,353)	(95,353)
Interest earned	<u>117,498</u>	<u>117,498</u>
Net cash provided by investing activities	<u>22,145</u>	<u>22,145</u>
Net Increase in Cash	113,404	113,404
Cash at Beginning of Year	<u>2,412,355</u>	<u>2,412,355</u>
Cash at End of Year:	<u>\$ 2,525,759</u>	<u>\$ 2,525,759</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 140,039	\$ 140,039
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	540,084	540,084
(Increase) decrease in operating assets:		
Receivables	(21,886)	(21,886)
Notes receivable	10,000	10,000
Increase (decrease) in operating liabilities:		
Accounts payable	500,800	500,800
Accrued compensated absences	6,007	6,007
Accrued payroll	10,941	10,941
Accrued interest	(387)	(387)
Utility deposits	<u>(7,253)</u>	<u>(7,253)</u>
Net cash provided by operating activities	<u>\$ 1,178,345</u>	<u>\$ 1,178,345</u>

The accompanying notes are an integral part of this statement.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Glen Rose, Texas (“the City”) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ended September 30, 2023.

Financial Reporting Entity – Basis of Reporting

The City operates as a Type A General Law Municipality under the laws of the State of Texas. The City is governed by an elected mayor and five-member governing council and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, water, sewer, solid waste and general governmental services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable.

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. The primary government and component unit 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 for uses of the City’s services; and (2) capital grants and contributions which finance major construction projects. These revenues are subject to externally imposed restrictions for 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 and enterprise funds are reported in separate columns.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City’s reporting entity applied all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report 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). Reimbursements are reported as reductions to expenses. Proprietary financial statements also report 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 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.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements report 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. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales taxes, occupancy taxes, beverage taxes, property taxes, gross receipts taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income and expenses reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing 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.

Fund Types and Major Funds

Governmental funds

The City reports the following major governmental fund:

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

Convention and Visitors' Bureau – reports the City's hotel and motel tax revenues and expenditures related to tourism. The operations of the Convention and Visitor's Bureau was transferred to the County by the end of the fiscal year ended September 30, 2022. Hotel/motel tax revenue is recorded as an income and transferred to the County.

Proprietary funds

The City reports the following major enterprise fund:

Utility Fund – reports for revenues and expenses associated with water, sewer, and sanitation services for the citizens of the City.

Assets, Liabilities, and Net Position or Equity

Cash and cash investments

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

Investments

Investments are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Texas Local Government Investment Pool ("TexPool") and Texas Short Term Asset Reserve ("TexSTAR"). Investments for the City include certificates of deposit and investments in TexPool and TexSTAR.

In accordance with state law, TexPool and TexSTAR operate in conformity with all the requirements of the Securities and Exchange Commission's ("SEC") Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexSTAR qualify as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool and TexSTAR are subject to regulatory oversight by the State Treasurer, although they are not registered with the SEC.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory

The costs in inventory are recorded as expenditures/expenses when purchased (purchase method).

Capital assets, depreciation, and amortization

The City's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund's financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$5,000 or more, as purchase and construction outlays occur. The City chose to include the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities such as streets), regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets. 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 of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in non-operating revenues and expenses in the proprietary funds and general revenues in the government-wide statements.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	10-40 years
Machinery and equipment	10 years
Infrastructure	10-50 years

Long-term debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

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

Compensated Absences

The City's policy permits employees to accumulate earned but unused personal time off (PTO) benefits. Employees earn up to 48 hours of PTO during their first year of employment. Employees with 1 to 2 years of employment can earn up to 144 hours of PTO each year. Employees with 3 to 10 years of employment can earn up to 184 hours of PTO each year. Employees with 11 to 15 years of employment can earn up to 224 hours of PTO each year. Employees with 16 or greater years of employment can earn up to 264 hours of PTO each year. Employees can accumulate a maximum of 240 hours of PTO. Unused PTO is paid upon termination of employment. PTO accrual for governmental activities and business-type activities are \$57,824 and \$31,062, respectively.

Deferred Outflows / Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The City has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$496,188 and \$108,722 of deferred outflows related to TMRS in the government wide financial statements and proprietary funds statements, respectively.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically, for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$29,877 is considered a deferred inflow of resources in the governmental fund financial statements, while \$14,874 and \$67,614 of deferred inflows related to TMRS is considered deferred inflow of resources in the proprietary funds and government wide financial statements, respectively.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pensions

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

Other Post-Employment Benefits

The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefit, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City had no amounts classified as nonspendable at September 30, 2023.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for a specific use only. The City has no amounts classified as restricted at September 30, 2023.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has \$40,000 for vehicles and equipment as committed at September 30, 2023.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to management through the budgetary process. The City has no funds classified as assigned at September 30, 2023.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget policy and practice

The Mayor submits an annual budget to the City Council in accordance with the State of Texas. The budget is presented to the City Council for review, and public hearings are held to address citizen concerns. In September, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of budgeting

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general governmental services, public safety, highways and streets, culture and recreation, and non-departmental. Budget revisions at this level are subject to final review by the City Council.

Budgets for the governmental funds operations are prepared on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on this basis.

Compliance

The City is compliant with applicable requirements of Section 16.356 of the Texas Water Code relating to transfers of funds associated with EDAP funded projects. All revenues derived from EDAP funded projects are solely for utility purposes.

NOTE 3: DEPOSITS AND INVESTMENTS

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

Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name at September 30, 2023.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, ("ACT") to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The ACT requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general-purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the ACT. Additionally, investment practices of the City were in accordance with local policies.

Statutes authorize the entity to invest in (1) obligations of 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.

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally-developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

While management believes the City’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level I inputs for TexPool and TexSTAR and Level 2 for certificates of deposits.

The City’s investments at September 30, 2023 are as follows:

	Fair Value			Weighted Average Maturity (Days)	Standard & Poor’s Rating
	General	Utility	Total		
	Fund	Fund			
TexPool	\$ 1,702,454	\$ 2,147,517	\$ 3,849,971	26	AAAm
TexSTAR	2,664,977		2,664,977	39	AAAm
Certificate of Deposit		20,235	20,235	359	
	\$ 4,367,431	\$ 2,167,752	\$ 6,535,183		

Analysis of Specific Deposit and Investment Risks

- Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name. At September 30, 2023, the City’s deposits and investments were entirely collateralized and therefore, not exposed to custodial credit risk.
- Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy is to diversify its investments by security type and institution. The City invests only in TexPool and TexSTAR and certificates of deposits. The City’s concentration of credit risk is low.
- Interest rate risk – the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of investments to one year or less. The City monitors the interest rates to minimize the exposure to interest rate risk.
- Foreign Currency Risk – the risk that exchange rates will adversely affect the fair value of an investment. As of September 30, 2023, the City was not exposed to foreign currency risk.

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The allowance for uncollectible accounts is \$25,518 based on historical data.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Receivables at September 30, 2023 are shown as follows:

Primary government:	
Water fund utility services	\$ 257,749
Allowance for uncollectible accounts	<u>(25,518)</u>
Total primary government	<u>\$ 232,231</u>

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which the tax is imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes receivable.

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

NOTE 5: NOTE RECEIVABLE

Glen Rose Economic Development Corporation entered into a note agreement with VRC Enterprises, Inc on August 26, 2016, in the amount of \$100,000 for the construction of office, warehouse, and fabrication facilities. The note is a zero percent loan payable in quarterly payments of \$2,500. The loan matures on October 1, 2026. The balance at September 30, 2023 was \$35,000.

NOTE 6: CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 798,972	\$	\$	\$ 798,972
Construction in progress	14,376	55,447	69,823	
Total not being depreciated	813,348	55,447	69,823	798,972
Capital assets being depreciated				
Buildings & improvements	763,034	69,823		832,857
Machinery & equipment	1,077,299	51,388		1,128,687
Infrastructure	9,466,156	507,695		9,973,851
Total being depreciated	11,306,489	628,906		11,935,395

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS - continued

Less accumulated depreciation for:				
Buildings & improvements	(348,231)	(20,970)		(369,201)
Machinery & equipment	(961,038)	(60,416)		(1,021,454)
Infrastructure	<u>(2,272,559)</u>	<u>(199,234)</u>		<u>(2,471,793)</u>
Total accumulated depreciation	(3,581,828)	(280,620)		(3,862,448)
Total being depreciated, net	<u>7,724,661</u>	<u>348,286</u>		<u>8,072,947</u>
Governmental activities total, net	\$ <u>8,538,009</u>	\$ <u>403,733</u>	\$ <u>69,823</u>	\$ <u>8,871,919</u>
General government	\$ 25,357			
Public safety	16,513			
Highways and streets	232,434			
Non-departmental	<u>6,316</u>			
Total depreciation expense - governmental activities	\$ <u>280,620</u>			

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Business-type activities:</u>				
Capital assets not depreciated				
Land	\$ <u>67,337</u>	\$	\$	\$ <u>67,337</u>
Total not being depreciated	67,337			67,337
Capital assets being depreciated				
Buildings & improvements	57,943			57,943
Machinery & equipment	768,670	8,950		777,620
Infrastructure	<u>20,366,662</u>	<u>848,179</u>		<u>21,214,841</u>
Total being depreciated	21,193,275	857,129		22,050,404
Less accumulated depreciation for:				
Buildings & improvements	(29,165)	(1,448)		(30,613)
Machinery & equipment	(691,894)	(24,901)		(716,795)
Infrastructure	<u>(6,172,719)</u>	<u>(513,735)</u>		<u>(6,686,454)</u>
Total accumulated depreciation	(6,893,778)	(540,084)		(7,433,862)
Total being depreciated, net	<u>14,299,497</u>	<u>317,045</u>		<u>14,616,542</u>
Business-type activities total, net	\$ <u>14,366,834</u>	\$ <u>317,045</u>	\$	\$ <u>14,683,879</u>
Total governmental-wide, net	\$ <u>22,904,843</u>	\$ <u>720,778</u>	\$ <u>69,823</u>	\$ <u>23,555,798</u>

NOTE 7: LONG-TERM BONDS PAYABLE

The bond payable balances at September 30, 2023 are as shown in the chart below:

Business-type Activities	<u>Balance</u>
In July 2016, the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2016 in the amount of \$3,520,000, pursuant to Subchapter C of Chapter 271, Texas Local Government Code, to finance the sewer and water supply project. Additionally, the Texas Water Development Board (TWDB) provided financial assistance of \$3,520,000 in the form of a grant. The interest rates range from .070% to 3.21%. The Certificates of Obligation mature on August 15, 2037.	\$ <u>2,660,000</u>
Total Business-type Activities	\$ <u>2,660,000</u>

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: LONG-TERM BONDS PAYABLE – continued

The following provides a summary of changes in long-term debt and bonds payable:

	Balance at 9/30/2022	Additions	Retirements	Balance at 9/30/2023	Amount Due In One Year
Business-type Activities					
Certificates of Obligation, Series 2016	\$ 2,820,000	\$	\$ 160,000	\$ 2,660,000	\$ 160,000
	<u>\$ 2,820,000</u>	<u>\$</u>	<u>\$ 160,000</u>	<u>\$ 2,660,000</u>	<u>\$ 160,000</u>
TMRS Pension Liability	\$ 84,476	\$ 954,544	\$ 215,270	\$ 823,750	
TMRS OPEB Liability	119,472	12,566	43,121	88,917	
	<u>\$ 203,948</u>	<u>\$ 967,110</u>	<u>\$ 258,391</u>	<u>\$ 912,667</u>	

Debt service for long-term debt is as follows:

	Year	Principal	Interest	Total
Business-type	2024	\$ 160,000	\$ 75,960	\$ 235,960
	2025	165,000	73,112	238,112
	2026	165,000	69,928	234,928
	2027	170,000	66,528	236,528
	2028	175,000	62,466	237,466
	2029-2033	950,000	233,520	1,183,520
	2034-2037	875,000	71,283	946,283
			<u>\$ 2,660,000</u>	<u>\$ 652,797</u>

NOTE 8: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

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 liability, professional liability, and worker’s compensation insurance coverage is provided through the purchase of commercial insurance. The City retains risk on only a deductible amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. The employee health care is also provided by commercial insurance with no risk retained by the city. Management has not been notified and is not aware of any significant claims not covered by insurance.

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Glen Rose participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees 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 (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PENSION PLAN - continued

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their 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's deposits and interest.

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

	<u>2022</u>	<u>2021</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfer	100% Repeating Transfer
Annuity increase (to retirees)	70% of CPI	70% of CPI
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms.

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

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	21	20
Inactive employees entitled to but not yet receiving benefits	23	24
Active employees	19	19
Total	<u>63</u>	<u>63</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 for the City of Glen Rose were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Glen Rose were 13.86% and 14.49% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$147,054, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PENSION PLAN - continued

Inflation	2.5% 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 investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for the time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
Core Fixed Income	1%	6%	11%
Non-Core Fixed Income	15%	20%	25%
Global Public Equity	25%	35%	45%
Real Estate	7%	12%	17%
Other Public & Private Mkts	7%	12%	17%
Hedge Funds	0%	5%	10%
Private Equity	5%	10%	15%
Cash Equivalents	0%	0%	3%

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 employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PENSION PLAN - continued

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/21	\$ 4,772,529	\$ 4,688,053	\$ 84,476
Changes for the year:			
Service cost	184,185		184,185
Interest	320,863		320,863
Change in benefit terms	-		-
Difference between expected and actual experience	104,424		104,424
Changes of assumptions			-
Contributions - employer		140,818	(140,818)
Contributions - employee		70,918	(70,918)
Net investment income		(342,111)	342,111
Benefit payments, including refunds of employee contributions	(222,180)	(222,180)	-
Administrative expense		(2,961)	2,961
Other charges		3,534	(3,534)
Net changes	<u>387,292</u>	<u>(351,982)</u>	<u>739,274</u>
Balance at 12/31/22	<u>\$ 5,159,821</u>	<u>\$ 4,336,071</u>	<u>\$ 823,750</u>

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 1,558,204	\$ 823,750	\$ 226,537

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2023, the city recognized pension expense of \$192,303.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 64,106	\$ 30,387
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	<u>298,175</u>	
Total before subsequent contributions	362,281	30,387
Contributions subsequent to the measurement date	<u>113,163</u>	
Total	<u>\$ 475,444</u>	<u>\$ 30,387</u>

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PENSION PLAN - continued

\$113,163 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
2024	\$	24,667
2025		96,390
2026		79,126
2027		131,711

NOTE 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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 affixed 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.

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. 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 were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.33% and 0.50% in calendar years 2022 and 2023, respectively. The City’s contributions to OPEB for the year ended September 30, 2023 were \$4,712 and were equal to the required contributions.

Total OPEB Liability

The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

I. 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 — There were no changes since the prior valuation.

II. 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 4.05%. 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 12/31/21	\$ 119,472
Changes for the year:	
Service cost	4,356
Interest	2,216
Change in benefit terms	
Difference between expected/actual experience	5,994
Changes of assumptions	(40,690)
Benefit payments	(2,431)
Net changes	(30,555)
Balance at 12/31/22	\$ 88,917

Sensitivity of the total OPEB liability to changes in the discount rate

The following shows the total OPEB liability calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) than the current rate.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City of Glen Rose's net OPEB liability	\$ 104,524	\$ 88,917	\$ 76,547

OPEB Plan Total Liability

Detailed information about the OPEB plan's Total OPEB Liability is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense in the amount of \$3,072.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,656	\$ 5,301
Changes in actuarial assumptions	11,183	31,927
Contributions subsequent to the measurement date	3,905	
Total	\$ 20,744	\$ 37,228

\$3,905 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 ended September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:	
2024	\$ (4,268)
2025	(5,906)
2026	(7,795)
2027	(2,420)

NOTE 11: HEALTH CARE COVERAGE

Employee Health Care Coverage

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the Plan). Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

NOTE 12: COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the city, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

NOTE 13: PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2023, the City noted that the hotel tax receivable for the year ended September 30, 2022, was not recorded properly. The affect of fund balance and net position was an increase of \$20,317.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 31, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB 95 postponed the implementation by one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for years beginning after June 15, 2022. The City has determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The City determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In October 2021, the GASB issued Statement No. 98 *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The City determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

CITY OF GLEN ROSE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: NEW ACCOUNTING PRONOUNCEMENTS - continued

In April 2022, the GASB issued Statement No. 99 *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows: related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges are effective upon issuance; related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022; and related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 100 *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 101 *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property tax	\$ 837,203	\$ 837,203	\$ 814,996	\$ (22,207)
Sales tax	1,600,000	1,600,000	1,960,503	360,503
Gross receipt tax	200,000	200,000	213,870	13,870
Beverage tax	22,000	22,000	19,165	(2,835)
Total taxes	<u>2,659,203</u>	<u>2,659,203</u>	<u>3,008,534</u>	<u>349,331</u>
Other				
Licenses and permits	120,000	120,000	107,748	(12,252)
Fines and forfeitures	118,989	118,989	77,908	(41,081)
Investment income	15,000	15,000	371,690	356,690
Rental income	27,000	27,000	25,500	(1,500)
Grant revenue	100,000	100,000		(100,000)
Miscellaneous income	280,360	280,360	26,925	(253,435)
Total other	<u>661,349</u>	<u>661,349</u>	<u>609,771</u>	<u>(51,578)</u>
Total Revenues	<u>3,320,552</u>	<u>3,320,552</u>	<u>3,618,305</u>	<u>297,753</u>
EXPENDITURES				
General government	713,391	794,519	690,952	103,567
Public safety	684,700	684,700	546,552	138,148
Highways and streets	1,667,447	1,666,319	818,259	848,060
Culture and recreation	210,150	130,150	(335)	130,485
Non-Departmental	933,165	933,165	300,563	632,602
Total expenditures	<u>4,208,853</u>	<u>4,208,853</u>	<u>2,355,991</u>	<u>1,852,862</u>
Net Change in Fund Balance	(888,301)	(888,301)	1,262,314	2,150,615
Fund Balance - Beginning	<u>6,676,451</u>	<u>6,676,451</u>	<u>6,676,451</u>	
Fund Balance - Ending	<u>\$ 5,788,150</u>	<u>\$ 5,788,150</u>	<u>\$ 7,938,765</u>	<u>\$ 2,150,615</u>

CITY OF GLEN ROSE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS PENSION
Last 10 Years (will ultimately be displayed)

	Plan Year Ended December 31,			
	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 184,185	\$ 167,769	\$ 203,843	\$ 222,175
Interest (on the total pension liability)	320,863	306,350	298,104	276,750
Changes in benefit terms				
Difference between expected and actual experience	104,424	(34,561)	(140,435)	(10,148)
Change of assumptions				52,577
Benefit payments, including refunds of employee contributions	(222,180)	(243,337)	(199,269)	(232,417)
Net Change in Total Pension Liability	<u>387,292</u>	<u>196,221</u>	<u>162,243</u>	<u>308,937</u>
Total Pension Liability - Beginning	<u>4,772,529</u>	<u>4,576,308</u>	<u>4,414,065</u>	<u>4,105,128</u>
Total Pension Liability - Ending	<u>\$ 5,159,821</u>	<u>\$ 4,772,529</u>	<u>\$ 4,576,308</u>	<u>\$ 4,414,065</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 140,818	\$ 134,326	\$ 165,253	\$ 173,849
Contributions - employee	70,918	65,498	79,537	83,524
Net investment income	(342,111)	545,652	292,636	513,227
Benefit payments, including refunds of employee contributions	(222,180)	(243,337)	(199,269)	(232,417)
Administrative expense	(2,961)	(2,526)	(1,892)	(2,898)
Other	3,534	17	(74)	(87)
Net Change in Plan Fiduciary Net Position	<u>(351,982)</u>	<u>499,630</u>	<u>336,191</u>	<u>535,198</u>
Plan Fiduciary Net Position - Beginning	<u>4,688,053</u>	<u>4,188,423</u>	<u>3,852,232</u>	<u>3,317,034</u>
Plan Fiduciary Net Position - Ending	<u>\$ 4,336,071</u>	<u>\$ 4,688,053</u>	<u>\$ 4,188,423</u>	<u>\$ 3,852,232</u>
Net Pension Liability - Ending	\$ 823,750	\$ 84,476	\$ 387,885	\$ 561,833
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.04%	98.23%	91.52%	87.27%
Covered Payroll	\$ 1,013,119	\$ 935,691	\$ 1,136,248	\$ 1,193,206
Net Pension Liability as a Percentage of Covered Payroll	81.31%	9.03%	34.14%	47.09%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	229,008	\$ 230,912	\$ 185,563	\$ 176,861	\$ 133,111
	259,616	237,251	219,515	222,569	209,657
	(13,525)	59,139	59,890	(124,432)	3,795
				30,587	
	<u>(203,257)</u>	<u>(186,779)</u>	<u>(262,987)</u>	<u>(211,845)</u>	<u>(156,120)</u>
	271,842	340,523	201,981	93,740	190,443
	<u>3,833,286</u>	<u>3,492,763</u>	<u>3,290,782</u>	<u>3,197,042</u>	<u>3,006,599</u>
\$	<u><u>4,105,128</u></u>	<u><u>3,833,286</u></u>	<u><u>3,492,763</u></u>	<u><u>3,290,782</u></u>	<u><u>3,197,042</u></u>
\$	181,590	\$ 179,021	\$ 155,068	\$ 130,937	\$ 117,433
	85,771	86,484	71,039	65,853	61,440
	(100,568)	399,221	184,819	4,055	147,549
	(203,257)	(186,779)	(262,987)	(211,845)	(156,120)
	(1,943)	(2,068)	(2,087)	(2,469)	(1,540)
	(102)	(105)	(113)	(122)	(127)
	<u>(38,509)</u>	<u>475,774</u>	<u>145,739</u>	<u>(13,591)</u>	<u>168,635</u>
	<u>3,355,543</u>	<u>2,879,769</u>	<u>2,734,030</u>	<u>2,747,621</u>	<u>2,578,986</u>
\$	<u><u>3,317,034</u></u>	<u><u>3,355,543</u></u>	<u><u>2,879,769</u></u>	<u><u>2,734,030</u></u>	<u><u>2,747,621</u></u>
\$	788,094	\$ 477,743	\$ 612,994	\$ 556,752	\$ 449,421
	80.80%	87.54%	82.45%	83.08%	85.94%
\$	1,225,299	\$ 1,235,483	\$ 1,002,501	\$ 940,753	\$ 890,879
	64.32%	38.67%	61.15%	59.18%	50.45%

CITY OF GLEN ROSE
SCHEDULE OF CONTRIBUTIONS - TMRS PENSION

Last 10 Fiscal Years (will ultimately be displayed)

	Fiscal Year Ended September 30,			
	2023	2022	2021	2020
Actuarially Determined Contribution	\$ 147,054	\$ 144,007	\$ 139,131	\$ 172,755
Contributions in relation to the actuarially determined contribution	\$ (147,054)	\$ (144,007)	\$ (139,131)	\$ (172,755)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,025,495	\$ 1,030,877	\$ 967,248	\$ 1,183,958
Contribution as a percentage of covered payroll	14.34%	13.97%	14.38%	14.59%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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	23 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Pre-retirement: PUM(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	173,026	\$ 182,969	\$ 175,544	\$ 146,803	\$ 128,304
\$	<u>(173,026)</u>	<u>(182,969)</u>	<u>(175,544)</u>	<u>(146,803)</u>	<u>(128,304)</u>
\$	-	\$ -	\$ -	\$ -	\$ -
\$	1,181,869	\$ 1,242,364	\$ 1,174,192	\$ 975,973	\$ 909,946
	14.64%	14.73%	14.95%	15.04%	14.10%

CITY OF GLEN ROSE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - TMRS
Last 10 Years (will ultimately be displayed)

	Plan Year Ended December 31,			
	2022	2021	2020	2019
Total OPEB liability				
Service cost	\$ 4,356	\$ 3,930	\$ 5,454	\$ 4,057
Interest (on the total pension liability)	2,216	2,284	2,804	3,184
Changes in benefit terms				
Difference between expected and actual experience	5,994	(1,462)	(8,359)	(4,730)
Change of assumptions	(40,690)	3,396	14,692	14,021
Benefit payments, including refunds of employee contributions	(2,431)	(1,871)	(1,250)	(955)
Net Change in Total OPEB Liability	(30,555)	6,277	13,341	15,577
Total OPEB Liability - Beginning	119,472	113,195	99,854	84,277
Total OPEB Liability - Ending	\$ 88,917	\$ 119,472	\$ 113,195	\$ 99,854
Covered Payroll	\$ 1,013,119	\$ 935,691	\$ 1,136,248	\$ 1,193,206
Total OPEB Liability as a Percentage of Covered Payroll	8.78%	12.77%	9.96%	8.37%

	<u>2018</u>	<u>2017</u>
\$	6,617	\$ 5,930
	2,527	2,408
	7,911	
	(5,260)	5,000
	<u>(1,103)</u>	<u>(988)</u>
	10,692	12,350
	<u>73,585</u>	<u>61,235</u>
\$	<u><u>84,277</u></u>	<u><u>73,585</u></u>
\$	<u><u>1,225,299</u></u>	<u><u>1,235,483</u></u>
	6.88%	5.96%

OTHER INFORMATION REQUIRED BY GAO

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

To the Honorable Mayor and
Members of the City Council
City of Glen Rose, Texas

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, and each major fund of the City of Glen Rose, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Glen Rose, Texas' basic financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
November 30, 2023

CITY OF GLEN ROSE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2023

I. Summary of Auditor's Report

- a. The type of report issued on the financial statements of the City of Glen Rose was an unmodified opinion.
- b. No material weaknesses were disclosed during the audit of the financial statements. No significant deficiencies were reported.
- c. No instances of noncompliance material to the financial statements of the City of Glen Rose were disclosed during the audit.

II. Findings Required to be Reported in Accordance with *Government Auditing Standards*.

None

CITY OF GLEN ROSE

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2023

Findings/Noncompliance

None

Contact: Troy Hill, City Administrator
254-897-2272