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ANNUAL FINANCIAL REPORT

of the

CITY OF MONTGOMERY, TEXAS

For the Year Ended
September 30, 2023

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CITY OF MONTGOMERY, TEXAS, TEXAS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Montgomery, Texas:

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

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

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 auditors' 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 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits (OPEB) liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and

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


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BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 7, 2024

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF MONTGOMERY, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government, municipal court, public safety, and public works. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and sanitation services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, the Montgomery Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Public Improvement District No. 1, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds for reporting purposes.

CITY OF MONTGOMERY, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The City adopts an annual appropriated budget for its general fund, debt service fund, and certain special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Fund

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and sanitation services. The proprietary fund financial statements provide information for the water, sewer, and sanitation fund. The proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$16,879,254 as of September 30, 2023. A portion of the City's net position, 69%, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$114,010 or 1%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$5,038,711 or 30%, may be used to meet the City's ongoing obligation to citizens and creditors.

CITY OF MONTGOMERY, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	September 30, 2023			Total Primary Government
	Governmental Activities	Business-Type Activities	Reconciliation	
Current and other assets	\$ 5,796,582	\$ 2,540,036	\$ -	\$ 8,336,618
Capital assets, net	6,449,949	12,597,504	-	19,047,453
Total Assets	12,246,531	15,137,540	-	27,384,071
Deferred outflows - pensions	362,406	60,100	-	422,506
Deferred outflows - OPEB	12,172	1,157	-	13,329
Deferred charge on refunding	38,597	-	-	38,597
Total Deferred Outflows of Resources	413,175	61,257	-	474,432
Long-term liabilities	8,915,593	69,789	-	8,985,382
Other liabilities	1,610,988	335,149	-	1,946,137
Total Liabilities	10,526,581	404,938	-	10,931,519
Deferred inflows - pensions	15,667	-	-	15,667
Deferred inflows - OPEB	27,333	4,730	-	32,063
Total Deferred Inflows of Resources	43,000	4,730	-	47,730
Net Position:				
Net investment in capital assets	5,847,871	12,597,504	(6,718,842)	11,726,533
Restricted	114,010	-	-	114,010
Unrestricted	(3,871,756)	2,191,625	6,718,842	5,038,711
Total Net Position	\$ 2,090,125	\$ 14,789,129	\$ -	\$ 16,879,254

	September 30, 2022			Total Primary Government
	Governmental Activities	Business-Type Activities	Reconciliation	
Current and other assets	\$ 5,280,014	\$ 3,046,643	\$ -	\$ 8,326,657
Capital assets, net	6,782,170	11,668,845	-	18,451,015
Total Assets	12,062,184	14,715,488	-	26,777,672
Deferred outflows - pensions	176,762	18,867	-	195,629
Deferred outflows - OPEB	10,448	853	-	11,301
Deferred charge on refunding	41,725	-	-	41,725
Total Deferred Outflows of Resources	228,935	19,720	-	248,655
Long-term liabilities	9,370,463	21,913	-	9,392,376
Other liabilities	2,380,177	400,427	-	2,780,604
Total Liabilities	11,750,640	422,340	-	12,172,980
Deferred inflows - pensions	156,546	16,198	-	172,744
Deferred inflows - OPEB	2,280	323	-	2,603
Total Deferred Inflows of Resources	158,826	16,521	-	175,347
Net Position:				
Net investment in capital assets	5,336,598	11,668,845	(6,999,311)	10,006,132
Restricted	171,392	-	-	171,392
Unrestricted	(5,126,337)	2,627,502	6,999,311	4,500,476
Total Net Position	\$ 381,653	\$ 14,296,347	\$ -	\$ 14,678,000

CITY OF MONTGOMERY, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The City has issued and repaid debt in its governmental activities for which the proceeds were used to construct capital assets for the governmental and business-type activities. With one activity carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Debt associated with business-type activities, in the amount of \$6,718,842, is being used to finance capital assets reported. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

The City's total net position increased by \$2,201,254 as compared to the prior year. Total assets experienced an increase primarily as a result of an increase in accounts receivable and an operating surplus. Deferred outflows of resources experienced an increase from the prior year due to the change in the net pension asset to a net pension liability in the current year. Current liabilities decreased due to a decrease in payables related to various capital projects and grant funding received in advance. Long-term liabilities experienced a decrease during the year due to principal payments made on debt. Deferred inflows of resources experienced a decrease from the prior year due to the change in the net pension asset to a net pension liability in the current year.

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 647,143	\$ 778,077	\$ 2,646,401	\$ 2,373,513	\$ 3,293,544	\$ 3,151,590
Operating grants and contributions	1,070	36,236	-	-	1,070	36,236
Capital grants and contributions	454,323	703,735	-	-	454,323	703,735
General revenues:						
Property taxes	1,794,151	1,415,100	-	-	1,794,151	1,415,100
Sales taxes	3,685,642	3,548,712	-	-	3,685,642	3,548,712
Other fees and taxes	163,366	164,608	-	-	163,366	164,608
Other revenues	618,026	333,501	425,916	407,695	1,043,942	741,196
Total Revenues	7,363,721	6,979,969	3,072,317	2,781,208	10,436,038	9,761,177
Expenses						
General government	1,744,723	1,817,585	-	-	1,744,723	1,817,585
Municipal court	407,560	405,245	-	-	407,560	405,245
Public safety	2,046,905	1,975,752	-	-	2,046,905	1,975,752
Public works	1,182,145	1,155,079	-	-	1,182,145	1,155,079
Interest and fiscal agent fees	199,071	252,185	-	-	199,071	252,185
Water, sewer, and sanitation	-	-	2,654,380	2,369,713	2,654,380	2,369,713
Total Expenses	5,580,404	5,605,846	2,654,380	2,369,713	8,234,784	7,975,559
Increase in Net Position						
Before Transfers	1,783,317	1,374,123	417,937	411,495	2,201,254	1,785,618
Transfers in (out)	(74,845)	(1,602,299)	74,845	1,602,299	-	-
Change in Net Position	1,708,472	(228,176)	492,782	2,013,794	2,201,254	1,785,618
Beginning net position	381,653	609,829	14,296,347	12,282,553	14,678,000	12,892,382
Ending Net Position	\$ 2,090,125	\$ 381,653	\$ 14,789,129	\$ 14,296,347	\$ 16,879,254	\$ 14,678,000

For the year ended September 30, 2023, revenues from governmental activities totaled \$7,363,721, which is a net increase of \$383,752 from the prior year. Charges for services decreased due to a decrease in building permits within the City. Grants and contributions decreased due to prior year's Community Development Block Grant. Property taxes increased due to an increase in the assessed values within the City. Sales taxes increased due to an

CITY OF MONTGOMERY, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

increase in economic activity within the City. Other revenues increased due to an increase in interest earnings on investments, as well as more escrow deposits related to engineering services for design and bidding of lift station number 10 and offsite utility extensions to serve Redbird Meadows.

For the year ended September 30, 2023, expenses for governmental activities totaled \$5,580,404, which is a 0.4538% decrease totaling \$25,442 from the prior year. The largest decrease was in the general government department related to fewer software upgrades in the current year.

Net position before transfers for business-type activities increased \$417,937 compared to the prior year. Revenues increased by \$291,109 compared to the prior year due to an increase in charges for services related to higher customer consumption and an increase in other revenues as a result of more tap fees/inspections and groundwater reduction revenues. Expenses increased \$284,667 compared to the prior year due to increases in repair and maintenance projects, contracted services, and in personnel costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$4,162,901. Of this, \$1,155,326 is restricted or committed for various purposes. The remaining balance of \$3,007,575 is unassigned in the general fund.

There was a net increase in the combined fund balance of \$1,302,788 compared to the prior year. The largest increase was seen in the general fund, which had an overall increase in fund balance of \$1,013,115 due primarily to an increase in property taxes, sales taxes, and investment revenue and a decrease in capital outlay expenditures. The capital projects fund also had a large increase in fund balance of \$341,500, which can be contributed to transfers in from the water, sewer, and sanitation fund.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$3,007,575. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Both unassigned and total fund balance represents 61% of total general fund expenditures.

The debt service fund has a total fund balance of \$53,572, all of which is restricted for the payment of debt service. The net decrease in fund balance during the year was \$56,030. This decrease can be attributed to scheduled debt service payments net of property tax revenues and other sources.

Proprietary Funds – The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

CITY OF MONTGOMERY, TEXAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's amended budget planned for an increase in budgeted general fund balance of \$744,638, however, the City experienced an actual increase to general fund balance of \$1,013,115. The City's actual general fund revenues were more than final budgeted revenues by \$182,505 during 2023 due to more sales and franchise fee revenue. Actual expenditures were less than budgeted amounts by a net \$84,171 for the fiscal year. The largest positive variance was in the public safety department.

CAPITAL ASSETS

At the end of the current fiscal year, the City's governmental and business-type activities had invested \$19,047,453 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$596,438.

Major capital asset events during the current year included the following:

- Porch and roof addition \$45,136
- 2023 Silverado 2500HD truck \$49,630
- Miscellaneous improvement project additions to construction in progress (CIP) of \$786,411
- Downtown improvement project additions to CIP of \$56,877
- Water Plant #3 project completion \$1,577,882
- Downtown sanitary sewer rehabilitation project completion \$132,077
- General Land Office Grant project completion \$650,778

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

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonds, tax notes, and certificates of obligation outstanding of \$7,655,000. Of this amount, \$4,235,000 was general obligation debt while tax notes and certificates of obligation accounted for \$3,420,000.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City adopted a fiscal year 2023-2024 general fund expenditure budget of \$5,921,740, which is an increase of 0.30% from the prior year budget. The City budgeted for fiscal year 2023-2024 general fund revenues of \$5,921,740, which is an increase of 1%. The City adopted a water, sewer, and sanitation revenue budget of \$4,281,550, which is an increase of 8% from the prior year budget. The City adopted a water, sewer, and sanitation expense budget of \$4,281,550, which is an increase of 8% from the prior year budget. The tax rate for the 2023-2024 fiscal year will remain at \$0.4000 per \$100 of taxable property value.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Gary Palmer, City Administrator, 101 Old Plantersville Rd., Montgomery, Texas 77316; 936-597-6434.

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BASIC FINANCIAL STATEMENTS

CITY OF MONTGOMERY, TEXAS
STATEMENT OF NET POSITION
September 30, 2023

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	\$ 4,232,313	\$ 2,406,798	\$ -	\$ 6,639,111
Cash with fiscal agent	107,342	-	-	107,342
Receivables, net of allowances	1,032,098	405,818	-	1,437,916
Internal balances	424,829	(424,829)	-	-
Due from primary government	-	-	-	-
Due from component unit	-	108	-	108
Restricted assets:				
Cash and cash equivalents	-	152,141	-	152,141
	<u>5,796,582</u>	<u>2,540,036</u>	<u>-</u>	<u>8,336,618</u>
Capital assets:				
Nondepreciable capital assets	1,619,522	955,490	-	2,575,012
Depreciable capital assets, net	4,830,427	11,642,014	-	16,472,441
	<u>6,449,949</u>	<u>12,597,504</u>	<u>-</u>	<u>19,047,453</u>
Total Assets	<u>12,246,531</u>	<u>15,137,540</u>	<u>-</u>	<u>27,384,071</u>
Deferred Outflows of Resources				
Deferred outflows - pensions	362,406	60,100	-	422,506
Deferred outflows - OPEB	12,172	1,157	-	13,329
Deferred charge on refunding	38,597	-	-	38,597
Total Deferred Outflows of Resources	<u>413,175</u>	<u>61,257</u>	<u>-</u>	<u>474,432</u>
Liabilities				
Accounts payable and accrued liabilities	1,124,135	183,008	-	1,307,143
Unearned revenue	339,920	-	-	339,920
Accrued interest payable	18,826	-	-	18,826
Due to primary government	-	-	-	-
Due to component unit	128,107	-	-	128,107
Customer deposits	-	152,141	-	152,141
Noncurrent liabilities:				
Long-term liabilities due within one year	806,567	12,141	-	818,708
Long-term liabilities due in more than one year	8,109,026	57,648	-	8,166,674
Total Liabilities	<u>10,526,581</u>	<u>404,938</u>	<u>-</u>	<u>10,931,519</u>
Deferred Inflows of Resources				
Deferred inflows - pensions	15,667	-	-	15,667
Deferred inflows - OPEB	27,333	4,730	-	32,063
Total Deferred Inflows of Resources	<u>43,000</u>	<u>4,730</u>	<u>-</u>	<u>47,730</u>
Net Position				
Net investment in capital assets	5,847,871	12,597,504	(6,718,842)	11,726,533
Restricted for:				
Economic development	-	-	-	-
Debt service	48,262	-	-	48,262
Tourism	22,189	-	-	22,189
Public safety	43,559	-	-	43,559
Unrestricted	(3,871,756)	2,191,625	6,718,842	5,038,711
Total Net Position	<u>\$ 2,090,125</u>	<u>\$ 14,789,129</u>	<u>\$ -</u>	<u>\$ 16,879,254</u>

See Notes to Financial Statements.

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Component Unit
MEDC
\$ 2,327,700
-
258,555
-
128,107
-
-
<u>2,714,362</u>
752,414
-
<u>752,414</u>
<u>3,466,776</u>
-
-
-
<u>-</u>
1,177
-
-
108
-
-
-
-
<u>1,285</u>
-
-
-
752,414
2,713,077
-
-
-
<u>\$ 3,465,491</u>

CITY OF MONTGOMERY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,744,723	\$ 342,337	\$ -	\$ -
Municipal court	407,560	304,806	-	-
Public safety	2,046,905	-	1,070	-
Public works	1,182,145	-	-	454,323
Interest and fiscal agent fees	199,071	-	-	-
Total Governmental Activities	<u>5,580,404</u>	<u>647,143</u>	<u>1,070</u>	<u>454,323</u>
Business-Type Activities				
Water, sewer, and sanitation services	2,654,380	2,646,401	-	-
Total Business-Type Activities	<u>2,654,380</u>	<u>2,646,401</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 8,234,784</u>	<u>\$ 3,293,544</u>	<u>\$ 1,070</u>	<u>\$ 454,323</u>
Component Unit				
Montgomery Economic Development Corporation	\$ 564,540	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 564,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes
Sales taxes
Franchise fees and other taxes
Other taxes
Investment revenue
Other revenues
Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

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Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	MEDC
\$ (1,402,386)	\$ -	\$ (1,402,386)	\$ -
(102,754)	-	(102,754)	-
(2,045,835)	-	(2,045,835)	-
(727,822)	-	(727,822)	-
(199,071)	-	(199,071)	-
<u>(4,477,868)</u>	<u>-</u>	<u>(4,477,868)</u>	<u>-</u>
-	(7,979)	(7,979)	-
-	(7,979)	(7,979)	-
<u>(4,477,868)</u>	<u>(7,979)</u>	<u>(4,485,847)</u>	<u>-</u>
-	-	-	(564,540)
-	-	-	(564,540)
1,794,151	-	1,794,151	-
3,685,642	-	3,685,642	1,228,543
92,735	-	92,735	-
70,631	-	70,631	-
172,876	88,359	261,235	86,320
445,150	337,557	782,707	6,752
(74,845)	74,845	-	-
<u>6,186,340</u>	<u>500,761</u>	<u>6,687,101</u>	<u>1,321,615</u>
1,708,472	492,782	2,201,254	757,075
<u>381,653</u>	<u>14,296,347</u>	<u>14,678,000</u>	<u>2,708,416</u>
<u>\$ 2,090,125</u>	<u>\$ 14,789,129</u>	<u>\$ 16,879,254</u>	<u>\$ 3,465,491</u>

CITY OF MONTGOMERY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 2,857,186	\$ 49,318	\$ 1,260,399	\$ 65,410
Cash with fiscal agent	-	-	107,342	-
Receivables, net	1,018,582	13,516	-	-
Due from other funds	2,139,465	430,516	1,174,131	583
Total Assets	\$ 6,015,233	\$ 493,350	\$ 2,541,872	\$ 65,993
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 886,292	\$ -	\$ 113,561	\$ -
Due to other funds	1,827,682	426,262	1,065,922	-
Due to component unit	128,107	-	-	-
Due to others	124,282	-	-	-
Unearned revenue	2,598	-	337,322	-
Total Liabilities	2,968,961	426,262	1,516,805	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	28,003	13,516	-	-
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	53,572	-	-
Tourism	-	-	-	22,189
Public safety	-	-	-	43,559
Capital projects	-	-	911,132	-
Assigned for:				
Grants	-	-	-	245
Committed for:				
Development	-	-	113,935	-
Public safety	10,694	-	-	-
Unassigned	3,007,575	-	-	-
Total Fund Balances	3,018,269	53,572	1,025,067	65,993
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,015,233	\$ 493,350	\$ 2,541,872	\$ 65,993

See Notes to Financial Statements.

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Total

\$	4,232,313
	107,342
	1,032,098
	3,744,695
\$	<u>9,116,448</u>
\$	999,853
	3,319,866
	128,107
	124,282
	339,920
	<u>4,912,028</u>
	<u>41,519</u>
	53,572
	22,189
	43,559
	911,132
	245
	113,935
	10,694
	3,007,575
	<u>4,162,901</u>
\$	<u>9,116,448</u>

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CITY OF MONTGOMERY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2023

Total fund balances - total governmental funds		\$ 4,162,901
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets, nondepreciable		1,619,522
Capital assets, net depreciable/amortizable		4,830,427
Long-term liabilities and deferred outflows and deferred inflows related to pensions and other postemployment benefits (OPEB) are deferred in the governmental funds.		
Net pension liability		(334,044)
Deferred outflows - pensions		362,406
Deferred inflows - pensions		(15,667)
Total OPEB liability		(63,415)
Deferred outflows - OPEB		12,172
Deferred inflows - OPEB		(27,333)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		41,519
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable		(18,826)
Noncurrent liabilities due in one year		(806,567)
Noncurrent liabilities due in more than one year		(7,711,567)
Deferred charge on refunding		38,597
Net Position of Governmental Activities		<u>\$ 2,090,125</u>

See Notes to Financial Statements.

CITY OF MONTGOMERY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental
Revenues				
Property taxes	\$ 1,319,753	\$ 473,414	\$ -	\$ -
Sales taxes	3,685,642	-	-	-
Franchise fees	92,735	-	-	-
Other taxes	26,286	-	-	44,345
Licenses and permits	342,337	-	-	-
Fines and forfeitures	303,879	-	-	927
Other revenue	85,491	-	359,659	-
Intergovernmental	1,070	-	454,323	-
Investment revenue	107,536	2,455	62,764	121
Total Revenues	5,964,729	475,869	876,746	45,393
Expenditures				
Current:				
General government	1,546,797	-	-	40,590
Municipal court	404,807	-	-	-
Public safety	1,932,795	-	-	600
Public works	971,226	-	15,468	-
Capital outlay	67,772	-	21,359	-
Debt service:				
Principal	26,382	700,000	-	-
Interest and fiscal agent fees	869	256,439	-	-
Total Expenditures	4,950,648	956,439	36,827	41,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,014,081	(480,570)	839,919	4,203
Other Financing Sources (Uses)				
Transfers in	25,134	424,540	859,864	-
Transfers (out)	(26,100)	-	(1,358,283)	-
Total Other Financing Sources (Uses)	(966)	424,540	(498,419)	-
Net Change in Fund Balances	1,013,115	(56,030)	341,500	4,203
Beginning fund balances	2,005,154	109,602	683,567	61,790
Ending Fund Balances	\$ 3,018,269	\$ 53,572	\$ 1,025,067	\$ 65,993

See Notes to Financial Statements.

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Total

\$ 1,793,167
3,685,642
92,735
70,631
342,337
304,806
445,150
455,393
172,876

7,362,737

1,587,387
404,807
1,933,395
986,694
89,131

726,382
257,308

5,985,104

1,377,633

1,309,538
(1,384,383)

(74,845)

1,302,788
2,860,113

\$ 4,162,901

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CITY OF MONTGOMERY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Net changes in fund balances - total governmental funds \$ 1,302,788

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

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

Capital outlay, net of disposals	78,079
Depreciation/amortization, net of disposals	(410,300)

The issuance of long-term debt (e.g., bonds, leases, and certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments	726,382
Net change in deferred charge on refunding	(3,128)
Accrued interest	2,156
Premium amortization	59,209

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(15,415)
Net pension liability	(354,215)
Deferred outflows - pensions	185,644
Deferred inflows - pensions	140,879
Total OPEB liability	18,738
Deferred outflows - OPEB	1,724
Deferred inflows - OPEB	(25,053)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

984

Change in Net Position of Governmental Activities \$ 1,708,472

See Notes to Financial Statements.

CITY OF MONTGOMERY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND (Page 1 of 2)
September 30, 2023

	<u>Business-Type Activities Water, Sewer, and Sanitation</u>
<u>Assets</u>	
Current assets	
Cash and equity in cash and investments	\$ 2,406,798
Accounts receivable (net of allowance for uncollectibles)	405,818
Due from other funds	677,230
Due from component unit	108
Restricted cash and equity in cash and investments:	
Customer deposits	152,141
Total Current Assets	3,642,095
Noncurrent assets	
Capital assets:	
Nondepreciable	955,490
Depreciable (net of depreciation)	11,642,014
Total Noncurrent Assets	12,597,504
Total Assets	16,239,599
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	60,100
Deferred outflows - OPEB	1,157
Total Deferred Outflows of Resources	61,257

CITY OF MONTGOMERY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND (Page 2 of 2)
September 30, 2023

	<u>Business-Type Activities Water, Sewer, and Sanitation</u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 183,008
Due to other funds	1,102,059
Compensated absences	12,141
Payable from restricted assets:	
Customer deposits	152,141
Total Current Liabilities	1,449,349
Noncurrent liabilities	
Net pension liability	52,253
Total OPEB liability	4,046
Compensated absences	1,349
Total Noncurrent Liabilities	57,648
Total Liabilities	1,506,997
<u>Deferred Inflows of Resources</u>	
Deferred inflows - OPEB	4,730
Total Deferred Inflows of Resources	4,730
<u>Net Position</u>	
Net investment in capital assets	12,597,504
Unrestricted net position	2,191,625
Total Net Position	\$ 14,789,129

See Notes to Financial Statements.

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CITY OF MONTGOMERY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2023

	<u>Business-Type Activities</u> <u>Water, Sewer, and Sanitation</u>
<u>Operating Revenues</u>	
Water service	\$ 987,719
Sewer service	905,218
Sanitation service	252,962
Meter installations	500,502
Other revenue	337,557
Total Operating Revenues	<u>2,983,958</u>
<u>Operating Expenses</u>	
Water, sewer, and sanitation	1,720,680
Salaries and wages	504,395
Depreciation	429,305
Total Operating Expenses	<u>2,654,380</u>
Operating Income	<u>329,578</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment revenue	88,359
Total Nonoperating Revenues	<u>88,359</u>
Income Before Transfers	<u>417,937</u>
<u>Transfers</u>	
Transfers in	1,333,149
Transfers (out)	(1,258,304)
Total Transfers	<u>74,845</u>
Change in Net Position	492,782
Beginning net position	<u>14,296,347</u>
Ending Net Position	<u><u>\$ 14,789,129</u></u>

See Notes to Financial Statements.

CITY OF MONTGOMERY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 1 of 2)
For the Year Ended September 30, 2023

	<u>Business-Type Activities</u> <u>Water, Sewer, and Sanitation</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers and users	\$ 2,887,318
Payments to suppliers	(1,125,743)
Payments to employees	(499,798)
Net Cash Provided by Operating Activities	<u>1,261,777</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers from other funds	1,333,149
Transfer to other funds	(1,258,304)
Net Cash Provided by Noncapital Financing Activities	<u>74,845</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(1,357,964)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,357,964)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	88,359
Net Cash Provided by Investing Activities	<u>88,359</u>
Net Change in Cash and Cash Equivalents	67,017
Beginning cash and cash equivalents	<u>2,491,922</u>
Ending Cash and Cash Equivalents	<u>\$ 2,558,939</u>
Ending Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	\$ 2,406,798
Restricted cash and cash equivalents	<u>152,141</u>
	<u>\$ 2,558,939</u>

See Notes to Financial Statements.

CITY OF MONTGOMERY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended September 30, 2023

	<u>Business-Type Activities</u> <u>Water, Sewer, and Sanitation</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 329,578
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	429,305
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Current Assets:	
Accounts receivable	(107,666)
Deferred outflows - pensions	(41,233)
Deferred outflows - OPEB	(304)
Due from other funds	(43,595)
Net pension liability	62,302
Increase (Decrease) in Current Liabilities:	
Accounts payable	(76,304)
Due to other funds	714,836
Compensated absences	(1,081)
Customer deposits	11,026
Deferred inflows - pensions	(16,198)
Deferred inflows - OPEB	4,407
Total OPEB liability	(3,296)
Net Cash Provided by Operating Activities	\$ 1,261,777

See Notes to Financial Statements.

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CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Montgomery, Texas, Texas (the “City”) was incorporated under the laws of the State of Texas, (the “State”) in 1935.

The City operates under a “General Law” City, which provides for a “Mayor-Council” form of government. The City Council is the principal legislative body of the City. The City Administrator is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all affairs of the City. The City Administrator is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The City provides the following services: general administration; municipal court; public safety; public works; and water, sewer, and sanitation services.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. Its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Montgomery Economic Development Corporation

On December 14, 1995, the City incorporated the Montgomery Industrial Development Corporation. In July 2013, the name was changed to Montgomery Economic Development Corporation (MEDC). The purpose of this nonprofit corporation is to promote economic development within the City and the State in order to eliminate unemployment and underemployment; to promote and encourage employment and the public welfare of, for, and on behalf of the City; and for improving the assessed valuations through the promotion of (a) existing business enterprise expansion and retention and (b) new business enterprise development and attraction by developing, implementing, providing, and financing projects. A one-half of one percent City sales tax is designated for this purpose. Separate

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

financial statements of the MEDC are not prepared. The MEDC is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. The City appoints a majority of this MEDC's board members and is either able to impose its will on it or a financial benefit/burden exists.

Blended Component Unit

Public Improvement District (PID) No. 1

Following a public hearing on September 30, 2014, the City Council created the City of Montgomery Public Improvement District (PID) No. 1 in accordance with Chapter 372 of the Local Government Code. The PID was created to provide a method of financing certain public improvements for the benefit of property in the PID, the costs of which would be paid by owners of real property located in the PID, subject to limitations contained in the service and assessment plan. Public improvements included creation costs of the PID, as well as roadway, water distribution system, storm sewer collection system, and wastewater collection system improvements. These public improvements were funded from developer revenues before construction began. The developer will be repaid in annual installments over a fifteen-year period through assessments to the property owners in the PID, the timing of which begins after the City has issued a certificate of occupancy for completed permanent structures; however, such date shall not occur before the trigger date of September 1, 2017. The City retains the right to create a board to manage the PID, but currently retains all management capacity at year end.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water, sewer, and sanitation functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is the City’s primary operating fund. It is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, municipal court, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects. The special revenue funds include the grants fund, the hotel occupancy fund, the court security fund, the court technology fund, and the police asset forfeiture fund. The special revenue funds are considered nonmajor funds for reporting purposes.

The City reports the following enterprise fund:

The *water, sewer, and sanitation fund* is used to account for the operations that provide water, sewer, and sanitation services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water, sewer, and sanitation fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

3. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 years
Furniture and equipment	5 to 20 years
Vehicles	5 years
Infrastructure	20 to 40 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate net statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension plan members, except for the net differences between the projected and actual investment earnings on the pension plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as an increase to the net pension asset or a reduction to the net pension liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

The City maintains formal programs for vacation, compensatory time, and sick leave. The City's full-time, permanent employees are granted vacation pay benefits in varying amounts to specified maximums depending on tenure with the City. The City's personnel policy permits its full-time, permanent employees to accumulate earned but unused vacation pay benefits. Upon separation with the City, employees will be paid for their accrued and unused vacation pay benefits.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

A non-exempt employee will be paid for any documented accrued compensatory time upon separation. Police officers may accrue a maximum of 120 hours of compensatory time.

Sick leave accrues to full-time, permanent employees to specified maximums but, upon separation with the City, employees will not be paid for accumulated sick leave.

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when they are paid.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

8. Leases

The City is a lessee for noncancellable leases of equipment and property. The City recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

9. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City would recognize a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements. The City’s SBITAs to report are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

10. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

11. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

By resolution, the City Council has also authorized the City Administrator as the official authorized to assign fund balance to a specific purpose as approved by the City's fund balance policy. Assignments of fund balance by the City Administrator do not require formal action by the City Council.

The City strives to maintain an unassigned fund balance of not less than 25 percent of the budgeted operational expenditures in all City funds. The purpose of the unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

13. Estimates

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

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

14. Pensions

For the purposes of measuring the net pension liability/(asset), 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.

15. Other Postemployment Benefits

The City participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, debt service, and certain special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without City Council approval. Appropriations lapse at the end of the year.

A. Expenditures in Excess of Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations in the principal and interest legal level of control of the general fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 7,610,309	0.07
Total	\$ 7,610,309	
Portfolio weighted average maturity		0.07

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than “AAA” or “AAA-m”, or at an equivalent rating by at least one nationally recognized rating service. Investments in U.S. Securities Exchange Commission registered and regulated money market mutual funds must have an investment quality not less than “AAA-”, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2023, the City’s investments in TexPool were rated “AAAm” by Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2023, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

B. Receivables

The following comprise receivable balances at year end:

	General	Debt Service	Water, Sewer, and Sanitation	Total
Property taxes	\$ 28,003	\$ 13,516	\$ -	\$ 41,519
Sales taxes	775,666	-	-	775,666
Mixed beverage taxes	2,160	-	-	2,160
Accounts receivable	212,753	-	425,584	638,337
Less allowance	-	-	(19,766)	(19,766)
	\$ 1,018,582	\$ 13,516	\$ 405,818	\$ 1,437,916
	MEDC			
Sales taxes	\$ 258,555			
	\$ 258,555			

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year end is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,619,522	\$ -	\$ -	\$ 1,619,522
Construction in progress	408,810	8,128	(416,938)	-
Total capital assets not being depreciated/dmortized	<u>2,028,332</u>	<u>8,128</u>	<u>(416,938)</u>	<u>1,619,522</u>
Other capital assets:				
Buildings and improvements	2,129,167	416,938	-	2,546,105
Infrastructure	3,878,667	45,136	-	3,923,803
Vehicles	1,250,831	24,815	-	1,275,646
Furniture and fixtures	557,540	-	-	557,540
Right-to-use assets	74,774	-	-	74,774
Total other capital assets	<u>7,890,979</u>	<u>486,889</u>	<u>-</u>	<u>8,377,868</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(759,284)	(108,592)	-	(867,876)
Infrastructure	(989,683)	(145,106)	-	(1,134,789)
Vehicles	(976,728)	(102,442)	-	(1,079,170)
Furniture and fixtures	(383,947)	(27,787)	-	(411,734)
Right-to-use assets	(27,499)	(26,373)	-	(53,872)
Total accumulated depreciation/amortization	<u>(3,137,141)</u>	<u>(410,300)</u>	<u>-</u>	<u>(3,547,441)</u>
Other capital assets, net	4,753,838	76,589	-	4,830,427
Governmental Activities Capital Assets, Net	<u>\$ 6,782,170</u>	<u>\$ 84,717</u>	<u>\$ (416,938)</u>	<u>6,449,949</u>
			Plus unspent bond proceeds	917,725
			Less associated debt	(1,519,803)
			Net Investment in Capital Assets	<u>\$ 5,847,871</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 134,025
Public safety	119,225
Public works	157,050
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 410,300</u>

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The following is a summary of changes in capital assets for business-type activities for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 66,581	\$ -	\$ -	\$ 66,581
Construction in progress	2,942,515	1,333,149	(3,386,755)	888,909
Total capital assets not being depreciated	<u>3,009,096</u>	<u>1,333,149</u>	<u>(3,386,755)</u>	<u>955,490</u>
Other capital assets:				
Infrastructure	14,335,920	3,386,755	-	17,722,675
Furniture and equipment	179,037	-	-	179,037
Vehicles	181,554	24,815	(18,915)	187,454
Total other capital assets	<u>14,696,511</u>	<u>3,411,570</u>	<u>(18,915)</u>	<u>18,089,166</u>
Less accumulated depreciation for:				
Infrastructure	(5,714,587)	(413,134)	-	(6,127,721)
Furniture and equipment	(158,403)	(2,318)	-	(160,721)
Vehicles	(163,772)	(13,853)	18,915	(158,710)
Total accumulated depreciation	<u>(6,036,762)</u>	<u>(429,305)</u>	<u>18,915</u>	<u>(6,447,152)</u>
Other capital assets, net	8,659,749	2,982,265	-	11,642,014
Business-Type Activities Capital Assets, Net	<u>\$ 11,668,845</u>	<u>\$ 4,315,414</u>	<u>\$ (3,386,755)</u>	<u>\$ 12,597,504</u>

Depreciation was charged to business-type functions as follows:

Water, sewer, and sanitation	\$ 429,305
Total Business-Type Activities Depreciation Expense	<u>\$ 429,305</u>

The following is a summary of changes in capital assets for MEDC activities for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Discrete Component Unit:				
Capital assets not being depreciated:				
Land	\$ 598,848	\$ -	\$ -	\$ 598,848
Construction in progress	153,566	-	-	153,566
Total capital assets not being depreciated	<u>752,414</u>	<u>-</u>	<u>-</u>	<u>752,414</u>
Discrete Component Unit Capital Assets, Net	<u>\$ 752,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752,414</u>

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation refunding bonds	\$ 4,280,000	\$ -	\$ (230,000)	\$ 4,050,000 (2)	\$ 245,000
Tax notes	1,630,000	-	(250,000)	1,380,000 (1)	200,000
Direct borrowings/placements:					
General obligation refunding bonds	275,000	-	(90,000)	185,000 (2)	90,000
Certificates of obligation	2,170,000	-	(130,000)	2,040,000 (2)	130,000
Leases payable	47,754	-	(26,382)	21,372 (1)	21,372
Subscription liability	-	-	-	- (1)	-
Unamortized bond premiums	767,421	-	(59,209)	708,212 (1)/(2)	-
	<u>9,170,175</u>	<u>-</u>	<u>(785,591)</u>	<u>8,384,584 *</u>	<u>686,372</u>
Other liabilities:					
Net pension liability (asset)	(20,171)	354,215	-	334,044	-
Total OPEB liability	82,153	-	(18,738)	63,415	-
Compensated absences	118,135	109,613	(94,198)	133,550	120,195
Total Governmental Activities	<u>\$ 9,350,292</u>	<u>\$ 463,828</u>	<u>\$ (898,527)</u>	<u>\$ 8,915,593</u>	<u>\$ 806,567</u>
				<u>Long-term debt due in more than one year</u>	<u>\$ 8,109,026</u>
				<u>*Debt associated with capital assets</u>	<u>\$ 8,384,584</u>
				<u>(1) Debt associated with governmental activities capital assets</u>	<u>\$ 1,519,803</u>
				<u>(2) Debt associated with business-type activities capital assets</u>	<u>\$ 6,864,781</u>
				<u>Less deferred charge on refunding</u>	<u>(38,597)</u>
				<u>Less unspent bond proceeds</u>	<u>(107,342)</u>
				<u>Net debt associated with business-type capital assets</u>	<u>\$ 6,718,842</u>
Business-Type Activities:					
Other liabilities:					
Net pension liability (asset)	\$ (10,049)	\$ 62,302	\$ -	\$ 52,253	\$ -
Total OPEB liability	7,342	-	(3,296)	4,046	-
Compensated absences	14,571	18,215	(19,296)	13,490	12,141
Total Business-Type Activities	<u>\$ 11,864</u>	<u>\$ 80,517</u>	<u>\$ (22,592)</u>	<u>\$ 69,789</u>	<u>\$ 12,141</u>
				<u>Long-term debt due in more than one year</u>	<u>\$ 57,648</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Current Balance
Governmental Activities		
General Obligation Bonds		
General obligation refunding bonds, series 2021	2.00 - 5.00%	\$ 4,050,000
From direct borrowings/placements:		
General obligation refunding bonds, series 2015	0.85 - 2.80%	185,000
Total General Obligation Bonds		4,235,000
Certificates of Obligation		
From direct borrowings/placements:		
Tax and revenue certificates of obligation, series 2017A	0.10 - 1.60%	790,000
Tax and revenue certificates of obligation, series 2017 B	0.01 - 1.90%	1,250,000
Total Certificates of Obligation		2,040,000
Tax Notes		
Tax notes, series 2022	5.00%	1,380,000
Total Tax Notes		1,380,000
Total Governmental Activities Long-Term Debt		\$ 7,655,000

The annual requirements to amortize bond and certificate debt issues outstanding at year end were as follows:

Fiscal Year Ended September 30	General Obligation		Tax Notes		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 245,000	\$ 133,225	\$ 200,000	\$ 64,000	\$ 445,000	\$ 197,225
2025	250,000	120,850	215,000	53,625	465,000	174,475
2026	260,000	108,100	225,000	42,625	485,000	150,725
2027	275,000	94,725	235,000	31,125	510,000	125,850
2028	290,000	80,600	245,000	19,125	535,000	99,725
2029-2033	1,490,000	216,575	260,000	6,500	1,750,000	223,075
2034-2038	1,240,000	54,400	-	-	1,240,000	54,400
Total	\$ 4,050,000	\$ 808,475	\$ 1,380,000	\$ 217,000	\$ 5,430,000	\$ 1,025,475

The annual requirements to amortize debt issues outstanding for the direct borrowings/placements at year end are as follows:

Fiscal Year Ended September 30	General Obligation		Certificates of Obligation		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 90,000	\$ 3,853	\$ 130,000	\$ 27,478	\$ 220,000	\$ 31,331
2025	95,000	1,330	140,000	26,471	235,000	27,801
2026	-	-	140,000	25,222	140,000	25,222
2027	-	-	140,000	23,805	140,000	23,805
2028	-	-	140,000	22,241	140,000	22,241
2029-2033	-	-	725,000	82,216	725,000	82,216
2034-2037	-	-	625,000	22,150	625,000	22,150
Total	\$ 185,000	\$ 5,183	\$ 2,040,000	\$ 229,582	\$ 2,225,000	\$ 234,764

The City's long-term debt includes all outstanding bonded debt secured by the full faith and credit of the City. The tax notes and the bonds, which include the certificates of obligation, general

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

obligation, and contractual obligation bonds, are secured by the full faith and credit of the City and are paid through the debt service fund from tax revenues.

Leases

During the current fiscal year, the City was a lessee to various lease agreements for the acquisition and use of equipment and property. The original terms of the agreements range from 36 to 63 months. As of September 30, 2023, the value of the lease liability was \$21,372. The City is required to make monthly payments ranging from \$143 to \$2,015. The leases have an estimated borrowing rate of 2.45%. The right-to-use assets are being amortized over the remaining life of the leases. The value of the right-to-use lease assets as of the end of the current fiscal year was \$74,774 and had accumulated amortization of \$53,872.

The future principal and interest lease payments as of September 30, 2023 are as follows:

Fiscal Year Ended September 30	Leases Payable	
	Principal	Interest
2024	\$ 21,372	\$ 236
Total	\$ 21,372	\$ 236

E. Interfund Transactions

The composition of due to/from balances as of year end was as follows:

Due To	Due From	Amounts
General	Capital projects	\$ 1,065,922
General	Water, sewer, and sanitation	1,071,821
General	Debt service	1,722
Debt service	General	430,516
Capital projects	General	1,143,893
Capital projects	Water, sewer, and sanitation	30,238
Nonmajor governmental	General	583
Water, sewer, and sanitation	General	252,690
Water, sewer, and sanitation	Debt service	424,540
		\$ 4,421,925

Amounts recorded as due to/from are considered to be temporary loans and will generally be repaid in more than one year.

Transfers between funds during the year were as follows:

Transfer In	Transfer Out	Amounts
Capital projects	Water, sewer, and sanitation	\$ 833,764
Debt service	Water, sewer, and sanitation	424,540
Water, sewer, and sanitation	Capital projects	1,333,149
General	Capital projects	25,134
Capital projects	General	26,100
		\$ 2,642,687

Amounts transferred between funds related to amounts collected by the general; capital projects; and water, sewer, and sanitation funds are for various governmental and business-type expenditures.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly 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 contributions and interest.

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

	2023	2022
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/ yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	50% Repeating, Transfers	50% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI	50% of CPI

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to, but not yet receiving, benefits	27
Active employees	32
Total	72

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 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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.59% and 10.04% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$232,907 and were equal to the required contributions.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Net Pension Liability/(Asset)

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

Actuarial Assumptions

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, 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. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for the annuity purchase rates 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, TMRS' actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equity	35%	7.7%
Core fixed income	6%	4.9%
Non-core fixed income	20%	8.7%
Other public and private markets	12%	8.1%
Real estate	12%	5.8%
Hedge funds	5%	6.9%
Private equity	10%	11.8%
Total	100%	

Discount Rate

The discount rate used to measure the TPL 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, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL/(A)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability / (Asset) (A) - (B)</u>
Changes for the year:			
Service cost	\$ 366,345	\$ -	\$ 366,345
Interest	181,156	-	181,156
Difference between expected and actual experience	55,981	-	55,981
Contributions - employer	-	215,273	(215,273)
Contributions - employee	-	157,133	(157,133)
Net investment income	-	(185,754)	185,754
Benefit payments, including refunds of employee contributions	(61,127)	(61,127)	-
Administrative expense	-	(1,618)	1,618
Other changes	-	1,931	(1,931)
Net Changes	542,355	125,838	416,517
Balance at December 31, 2021	2,531,189	2,561,409	(30,220)
Balance at December 31, 2022	\$ 3,073,544	\$ 2,687,247	\$ 386,297

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Sensitivity of the NPL/(A) to Changes in the Discount Rate

The following presents the NPL/(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one 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)	\$ 956,648	\$ 386,297	\$ (66,106)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

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

For the fiscal year ended September 30, 2023, the City recognized net pension expense of \$262,986.

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	\$ 65,298	\$ 15,667
Net difference between projected and actual investment earnings	180,658	-
Contributions subsequent to the measurement date	176,550	-
Total	\$ 422,506	\$ 15,667

\$176,550 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 NPL for the fiscal 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:

Fiscal Year Ended September 30	Pension Expense
2024	\$ 31,045
2025	63,976
2026	60,375
2027	74,893
Total	\$ 230,289

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Other Postemployment Benefits

TMRS Supplemental Death Benefits

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage 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.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits

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 OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to, but not yet receiving, benefits	8
Active employees	32
Total	50

Total OPEB Liability

The City's total OPEB liability of \$67,461 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject on the floor.

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 and 2024 rates as determined in the December 31, 2021 and December 31, 2022 actuarial valuations, respectively.

Change in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 8,306
Interest	1,711
Differences between expected and actual experience	5,325
Changes of assumptions	(36,029)
Benefit payments	(1,347)
	Net Changes
	(22,034)
Beginning balance	89,495
	Ending Balance
	<u>\$ 67,461</u>

The discount rate increased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB Liability	\$ 81,107	\$ 67,461	\$ 56,911

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$6,983. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,436	\$ 2,049
Changes in actuarial assumptions	7,662	30,014
Contributions subsequent to the measurement date	1,231	-
Total	\$ 13,329	\$ 32,063

\$1,231 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 fiscal year ending September 30, 2024.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense
2024	\$ (3,034)
2025	(3,034)
2026	(3,674)
2027	(5,148)
2028	(5,075)
Total	\$ (19,965)

E. Chapter 380 Economic Development Agreements

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

Sales Taxes

The City has entered into sales tax abatement agreements (the “Agreements”) with several developers as authorized by Chapter 380 of the Texas Local Government Code. Under each Agreement, the developers must meet certain commercial/retail development and/or employment

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

requirements in order to have a portion of their sales taxes abated. The minimum limitation value varies by Agreement. Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreements:

- The group of developers for “The Shoppes At Montgomery” intends and proposed to develop property in the City for commercial use. As part of the Agreement, the developers have agreed to convey to the City the Utility Extension Project (the “Project”), to swap a certain portion of land, and grant the necessary easements. Upon final completion of the land swap and Utility Extension Project, the City has agreed to provide a grant to the developers in an amount not to exceed \$1,125,000.00 or a period not to exceed ten years of annual payments. The amount of reimbursement will be paid from sales and use taxes charged on the taxable sales collected by the City as generated by businesses on the property. Reimbursements are comprised of a “City Payment” and an “EDC Payment”. For every dollar spent in taxable retail sales, the City collects 1.5 cents and the EDC collects 0.5 cents, for a total sales and use tax of 2.0 cents. The developer will receive from both the City and EDC one-quarter of one cent each, for a total of a half cent, or twenty-five percent (25%) of the total two cents annual sales and use tax collected at the Project. The City has reimbursed a total of \$157,606.75 since the first payment in 2019, including \$66,736.24 in 2023.
- The developer for “Milestone” will construct a new grocery retail store with approximately 124,000 square feet (the “Development”) for the purpose of creating and/or retaining at least 144 full-time equivalent employees. The City has granted the developer a tax limitation of about \$5.6 million for a period of 15 years. In order to be eligible to receive the limitation, the developer must create 52 permanent new jobs and have invested at least \$7.5 million during the construction of the Development. The City will make annual payments to the developer from sales tax revenues at an amount equal to 55 percent of annual sales tax collected at the Development paid by the City, and the MEDC will make annual payments at an amount equal to 100 percent of annual sales tax collected at the Development. Annual installments will begin the first anniversary after the grocery store opens to the public. An assignment of economic development was entered into with Kroger Texas L.P. (the “Company”) on December 11, 2018. The City made the first payment pursuant to the agreement in 2019 and has reimbursed a total of \$1,285,903 in collected sales tax, including \$252,713 paid in 2023.

Property Taxes

The City has entered into property tax abatement agreements (the “Agreements”) with several developers as authorized by Chapter 380 of the Texas Local Government Code. Under each Agreement, the developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their property taxes abated. The minimum limitation value varies by Agreement. Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreements:

- The City entered into a 15-year Agreement with a developer for the “Hills of Town Creek, Section 1” and a school district (the “District”). The developer intends and proposed to develop property that was recently annexed into the City for primarily high-density, multi-family residential use, with a limited amount of commercial and retail uses (the “Project”). As part of the Agreement, the developer has agreed to accelerate the construction of the Project and to convey it to the City and petition the City to annex 13.773 acres of land currently located in the extraterritorial jurisdiction (ETJ) of the City. Other considerations

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

include transfers of property and facilities from the District and the developer to the City and transfer of property from the developer to the District. Subject to the final completion of the Project, dedication of the facilities and easements to the City, other considerations, and annexation of the ETJ, the City has agreed to provide a grant for reimbursement of the design and construction of public infrastructure to the developer limited to 100 percent of the cost to oversize utility lines and 70 percent of the remaining construction costs incurred, as well as up to \$16,000 for escrowed funds for the City's engineering expenses. The amount of reimbursement to the developer is limited to \$400,000 and will be paid from ad valorem taxes generated from the property annexed and collected by the City above the base property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2012). The City has abated property taxes totaling \$293,343 under this Agreement since the first payment in 2013, including \$80,610 in fiscal year 2023.

- A developer for "Milestone" will construct a new retail grocery store with approximately 124,000 square feet (the "Development") for the purpose of creating and/or retaining at least 144 full-time equivalent employees. The City has granted the developer a tax rebate of all property taxes of about \$5.6 million for a period of 15 years. In order to be eligible to receive the limitation, the developer must create 52 permanent new jobs and have invested at least \$7.5 million during the construction of the Development. The City will make annual payments to the developer from property tax collected by March 1 of each year that the property tax rebate is in effect. Annual installments will begin the first tax year after the grocery store opens to the public. An assignment of economic development was entered into with Kroger Texas L.P. on December 11, 2018. The City has abated property taxes totaling \$419,096 under this Agreement since the first payment in 2019, including \$62,494 in fiscal year 2023.
- The City has entered into a twelve-year term Agreement with "The Estates of Mia Lago, Ltd", who intends and proposed to develop property in the City for residential use (the "Project"). As part of the Agreement, the developer has agreed to accelerate construction of the Lone Star Bend Extension Project and convey it to the City. Subject to annexation of the property and upon final completion of the Project, the City has agreed to provide a grant for reimbursement of the design and construction of public infrastructure to the developer in the sum of not more than \$100,000 paid from ad valorem taxes generated from the property annexed and collected by the City above the base property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2017).

F. Subsequent Events

Subscription-Based Information Technology Arrangements

On September 11, 2023, the City's police department entered into an agreement with Flock Safety for the use of Flock Safety Falcon, an infrastructure-free license plate reader camera that utilizes vehicle fingerprint technology to capture vehicular attributes. The agreement has a 60-month subscription term and totals \$125,000. The term of the agreement shall commence upon first installation and validation of Flock hardware. The agreement starts on October 5, 2023 and will end on October 4, 2028. The agreement will automatically renew for a 24-month term unless either party gives the other party notice of non-renewal at least 30 days prior to the end of the term.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Tax and Revenue Certificates of Obligation, Series 2024

On January 1, 2024, the City issued Tax and Revenue Certificates of Obligation, Series 2024 (the “Certificates”) totaling \$3,440,000 for the construction, acquisition, and purchase of water and sewer system improvements equipment and professional services related to the issuance of the Certificates. The Certificates consist of \$2,330,000 of serial certificates maturing annually beginning March 1, 2025 through March 1, 2044, and \$1,110,000 of term certificates maturing biennially beginning March 1, 2035 through March 1, 2039. The stated interest rate ranges between 4.00% to 5.00% for both the serial certificates and term certificates.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 1,344,025	\$ 1,319,753	\$ 1,319,753	\$ -
Sales taxes	3,665,867	3,584,397	3,685,642	101,245
Franchise fees	100,000	11,356	92,735	81,379
Other taxes	30,000	26,405	26,286	(119)
Licenses and permits	259,500	342,337	342,337	-
Fines and forfeitures	318,500	303,879	303,879	-
Other revenue	85,350	85,491	85,491	-
Intergovernmental	1,300	1,070	1,070	-
Investment revenue	16,750	107,536	107,536	-
Total Revenues	<u>5,821,292</u>	<u>5,782,224</u>	<u>5,964,729</u>	<u>182,505</u>
Expenditures				
Current:				
General government	1,626,627	1,575,331	1,546,797	28,534
Municipal court	517,392	405,303	404,807	496
Public safety	2,246,002	2,008,591	1,932,795	75,796
Public works	1,216,513	977,822	971,226	6,596
Capital outlay	190,000	67,772	67,772	-
Debt service:				
Principal	-	-	26,382	(26,382) *
Interest	-	-	869	(869) *
Total Expenditures	<u>5,796,534</u>	<u>5,034,819</u>	<u>4,950,648</u>	<u>84,171</u>
Excess of Revenues Over Expenditures	<u>24,758</u>	<u>747,405</u>	<u>1,014,081</u>	<u>266,676</u>
Other Financing Sources (Uses)				
Transfers in	1,500	23,333	25,134	1,801
Transfers (out)	(26,100)	(26,100)	(26,100)	-
Total Other Financing (Uses)	<u>(24,600)</u>	<u>(2,767)</u>	<u>(966)</u>	<u>1,801</u>
Net Change in Fund Balance	<u>\$ 158</u>	<u>\$ 744,638</u>	<u>1,013,115</u>	<u>\$ 268,477</u>
Beginning fund balance			2,005,154	
Ending Fund Balance			<u>\$ 3,018,269</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2023

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 81,979	\$ 110,914	\$ 144,267	\$ 157,252
Interest (on the total pension liability)	55,068	57,948	66,121	77,769
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(54,092)	(12,311)	(1,206)	(14,363)
Changes in assumptions	-	34,004	-	-
Benefit payments, including refunds of employee contributions	(33,403)	(79,160)	(31,829)	(54,384)
Net Change in Total Pension Liability	<u>49,552</u>	<u>111,395</u>	<u>177,353</u>	<u>166,274</u>
Beginning total pension liability	<u>762,399</u>	<u>811,951</u>	<u>923,346</u>	<u>1,100,699</u>
Ending Total Pension Liability	<u><u>\$ 811,951</u></u>	<u><u>\$ 923,346</u></u>	<u><u>\$ 1,100,699</u></u>	<u><u>\$ 1,266,973</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 26,597	\$ 37,600	\$ 43,778	\$ 68,154
Contributions - employee	61,367	63,744	74,200	80,998
Net investment income	50,475	1,456	68,262	161,340
Benefit payments, including refunds of employee contributions	(33,403)	(79,160)	(31,829)	(54,384)
Administrative expense	(527)	(887)	(770)	(835)
Other	(43)	(44)	(41)	(42)
Net Change in Plan Fiduciary Net Position	<u>104,466</u>	<u>22,709</u>	<u>153,600</u>	<u>255,231</u>
Beginning plan fiduciary net position	<u>881,999</u>	<u>986,465</u>	<u>1,009,174</u>	<u>1,162,774</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 986,465</u></u>	<u><u>\$ 1,009,174</u></u>	<u><u>\$ 1,162,774</u></u>	<u><u>\$ 1,418,005</u></u>
Net Pension Liability / (Asset)	<u><u>\$ (174,514)</u></u>	<u><u>\$ (85,828)</u></u>	<u><u>\$ (62,075)</u></u>	<u><u>\$ (151,032)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	121.49%	109.30%	105.64%	111.92%
Covered Payroll	\$ 876,672	\$ 910,624	\$ 1,060,007	\$ 1,157,117
Net Pension Liability / (Asset) as a Percentage of Covered Payroll	-19.91%	-9.43%	-5.86%	-13.05%

*Only nine years' worth of information is currently available. The City will build this schedule over the next one-year period

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Measurement Year*					
2018	2019	2020	2021	2022	
\$ 176,697	\$ 205,160	\$ 283,792	\$ 313,039	\$ 366,345	
87,871	94,711	129,656	149,551	181,156	
-	-	289,106	-	-	
(85,189)	(28,118)	(51,273)	44,278	55,981	
-	3,592	-	-	-	
(107,065)	(77,480)	(94,655)	(69,457)	(61,127)	
72,314	197,865	556,626	437,411	542,355	
1,266,973	1,339,287	1,537,152	2,093,778	2,531,189	
<u>\$ 1,339,287</u>	<u>\$ 1,537,152</u>	<u>\$ 2,093,778</u>	<u>\$ 2,531,189</u>	<u>\$ 3,073,544</u>	
\$ 79,080	\$ 91,000	\$ 107,207	\$ 186,885	\$ 215,273	
90,747	103,916	124,081	136,698	157,133	
(42,554)	221,310	133,417	264,560	(185,754)	
(107,065)	(77,480)	(94,655)	(69,457)	(61,127)	
(821)	(1,256)	(872)	(1,233)	(1,618)	
(43)	(38)	(32)	8	1,931	
19,345	337,452	269,146	517,461	125,838	
1,418,005	1,437,350	1,774,802	2,043,948	2,561,409	
<u>\$ 1,437,350</u>	<u>\$ 1,774,802</u>	<u>\$ 2,043,948</u>	<u>\$ 2,561,409</u>	<u>\$ 2,687,247</u>	
<u>\$ (98,063)</u>	<u>\$ (237,650)</u>	<u>\$ 49,830</u>	<u>\$ (30,220)</u>	<u>\$ 386,297</u>	
107.32%	115.46%	97.62%	101.19%	87.43%	
\$ 1,296,384	\$ 1,484,512	\$ 1,772,592	\$ 1,952,830	\$ 2,244,760	
-7.56%	-16.01%	2.81%	-1.55%	17.21%	

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2023

	Fiscal Year*			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 26,103	\$ 44,811	\$ 61,309	\$ 76,271
Contributions in relation to the actuarially determined contribution	26,103	44,811	61,309	76,271
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 918,710	\$ 1,085,450	\$ 1,116,575	\$ 1,260,456
Contributions as a percentage of covered payroll	2.84%	4.13%	5.49%	6.05%

*Only nine years' worth of information is currently available. The City will build this schedule over the next one-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 Years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(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.

3. Other Information:

There were no benefit changes during the year.

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Fiscal Year*				
2019	2020	2021	2022	2023
\$ 86,378	\$ 99,240	\$ 166,271	\$ 209,835	\$ 232,907
86,378	99,240	166,271	209,835	232,907
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,439,928	\$ 1,635,373	\$ 1,921,658	\$ 2,189,165	\$ 2,346,130
6.00%	6.07%	8.65%	9.59%	9.93%

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CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Measurement Year*		
	2020	2021	2022
Total OPEB Liability			
Service cost	\$ 4,786	\$ 6,444	\$ 8,306
Interest (on the total OPEB liability)	1,831	1,709	1,711
Changes in benefit terms including			
TMRS plan participation	64,174	-	-
Differences between expected and actual experience	-	(3,157)	5,325
Changes of assumptions	12,099	2,976	(36,029)
Benefit payments**	-	(1,367)	(1,347)
Net Change in Total OPEB Liability	82,890	6,605	(22,034)
Beginning total OPEB liability	-	82,890	89,495
Ending Total OPEB Liability	\$ 82,890	\$ 89,495	\$ 67,461
Covered Employee Payroll	\$ 1,772,592	\$ 1,952,830	\$ 2,244,760
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.68%	4.58%	3.01%

*Only three years' worth of information is currently available. The City will build this schedule over the next seven-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

1. Valuation Date:

Actuarially determined contribution rates are calculated December 31 and become effective in January, 13 months later.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3. Other Information:

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

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

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

There were no benefit changes during the year.

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***COMBINING STATEMENTS
AND SCHEDULES***

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CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 477,822	\$ 473,414	\$ 473,414	\$ -
Investment revenue	119	2,455	2,455	-
Total Revenues	477,941	475,869	475,869	-
<u>Expenditures</u>				
Debt service:				
Principal	700,000	700,000	700,000	-
Interest and fiscal agent fees	256,739	256,439	256,439	-
Total Expenditures	956,739	956,439	956,439	-
(Deficiency) of Revenues				
(Under) Expenditures	(478,798)	(480,570)	(480,570)	-
<u>Other Financing Sources (Uses)</u>				
Transfers in	478,798	424,540	424,540	-
Total Other Financing Sources	478,798	424,540	424,540	-
Net Change in Fund Balance	\$ -	\$ (56,030)	(56,030)	\$ -
Beginning fund balance			109,602	
Ending Fund Balance			\$ 53,572	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF MONTGOMERY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted, committed, or assigned to expenditures

Hotel Occupancy Fund

This fund is used to account for hotel tax revenue from local hotels.

Court Security Fund

This fund is used to account for collection and disbursement of money used for court security.

Court Technology Fund

This fund is used to account for municipal court computer technology.

Police Asset Forfeiture Fund

This fund is used to account for revenues from seized contraband used for law enforcement purposes.

Grants Fund

This fund is used to account for revenues from grants.

PID No. 1 Fund

This fund is used to account for the collections and disbursements of special assessments within the Montgomery PID No. 1.

CITY OF MONTGOMERY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2023

Special Revenue Funds				
	Hotel Occupancy	Court Security	Court Technology	Police Asset Forfeiture
<u>Assets</u>				
Cash and cash equivalents	\$ 22,189	\$ 3,342	\$ 26,583	\$ 13,276
Due from other funds	-	64	294	-
Total Assets	\$ 22,189	\$ 3,406	\$ 26,877	\$ 13,276
<u>Fund Balances</u>				
Restricted for:				
Tourism	22,189	-	-	-
Public safety	-	3,406	26,877	13,276
Assigned to:				
Grants	-	-	-	-
Total Fund Balances	22,189	3,406	26,877	13,276
Total Liabilities and Fund Balances	\$ 22,189	\$ 3,406	\$ 26,877	\$ 13,276

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<u>Special Revenue Funds</u>		
<u>Grants</u>	<u>PID No. 1</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 20	\$ -	\$ 65,410
-	225	583
<u>\$ 20</u>	<u>\$ 225</u>	<u>\$ 65,993</u>
-	-	22,189
-	-	43,559
20	225	245
<u>20</u>	<u>225</u>	<u>65,993</u>
<u>\$ 20</u>	<u>\$ 225</u>	<u>\$ 65,993</u>

CITY OF MONTGOMERY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

		<u>Special Revenue Funds</u>			
		<u>Hotel Occupancy</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Police Asset Forfeiture</u>
<u>Revenues</u>					
Other taxes		\$ 3,538	\$ -	\$ -	\$ -
Fines and forfeitures		-	392	535	-
Investment revenue		41	5	56	19
	Total Revenues	<u>3,579</u>	<u>397</u>	<u>591</u>	<u>19</u>
<u>Expenditures</u>					
Current:					
Public safety		-	600	-	-
General government		8	-	-	-
	Total Expenditures	<u>8</u>	<u>600</u>	<u>-</u>	<u>-</u>
	Net Change in Fund Balances	3,571	(203)	591	19
Beginning fund balances		<u>18,618</u>	<u>3,609</u>	<u>26,286</u>	<u>13,257</u>
	Ending Fund Balances	<u>\$ 22,189</u>	<u>\$ 3,406</u>	<u>\$ 26,877</u>	<u>\$ 13,276</u>

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<u>Special Revenue Funds</u>		
<u>Grants</u>	<u>PID No. 1</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 40,807	\$ 44,345
-	-	927
-	-	121
<u>-</u>	<u>40,807</u>	<u>45,393</u>
-	-	600
<u>-</u>	<u>40,582</u>	<u>40,590</u>
<u>-</u>	<u>40,582</u>	<u>41,190</u>
-	225	4,203
<u>20</u>	<u>-</u>	<u>61,790</u>
<u>\$ 20</u>	<u>\$ 225</u>	<u>\$ 65,993</u>

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CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2023

Hotel Occupancy				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Other taxes	\$ 12,500	\$ 12,500	\$ 3,538	\$ (8,962)
Investment revenue	30	30	41	11
Total Revenues	12,530	12,530	3,579	(8,951)
Expenditures				
Current:				
General government	12,500	12,500	8	12,492
Total Expenditures	12,500	12,500	8	12,492
Net Change in Fund Balance	\$ 30	\$ 30	3,571	\$ 3,541
Beginning fund balance			18,618	
Ending Fund Balance			\$ 22,189	

Court Security				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 1,500	\$ 1,500	\$ 392	\$ (1,108)
Investment revenue	10	10	5	(5)
Total Revenues	1,510	1,510	397	(1,113)
Expenditures				
Current:				
Public safety	600	600	600	-
Total Expenditures	600	600	600	-
Excess of Revenues Over Expenditures	910	910	(203)	(1,113)
Other Financing Sources (Uses)				
Transfers (out)	(900)	(900)	-	900
Total Other Financing (Uses)	(900)	(900)	-	900
Net Change in Fund Balance	\$ 10	\$ 10	(203)	\$ (213)
Beginning fund balance			3,609	
Ending Fund Balance			\$ 3,406	

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (Continued)
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2023

Court Technology				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 1,000	\$ 535	\$ 535	\$ -
Investment revenue	60	55	56	1
Total Revenues	1,060	590	591	1
Excess of Revenues Over Expenditures	1,060	590	591	1
Other Financing Sources (Uses)				
Transfers in	7,710	-	-	-
Total Other Financing Sources	7,710	-	-	-
Net Change in Fund Balance	\$ 8,770	\$ 590	591	\$ 1
Beginning fund balance			26,286	
Ending Fund Balance			\$ 26,877	

Police Asset Forfeiture				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Investment revenue	\$ 10	\$ 10	\$ 19	\$ 9
Total Revenues	10	10	19	9
Net Change in Fund Balance	\$ 10	\$ 10	19	\$ 9
Beginning fund balance			13,257	
Ending Fund Balance			\$ 13,276	

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (Continued)
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2023

PID No. 1				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Other taxes	\$ 41,100	\$ 41,100	\$ 40,807	\$ (293)
Total Revenues	41,100	41,100	40,807	(293)
Expenditures				
Current:				
General government	41,083	41,083	40,582	501
Total Expenditures	41,083	41,083	40,582	501
Net Change in Fund Balance	\$ 17	\$ 17	225	\$ 208
Beginning fund balance			-	
Ending Fund Balance			\$ 225	

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