

CITY OF LORENZO, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 2024

CITY OF LORENZO
Lorenzo, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended March 31, 2024

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Lorenzo, Texas

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INTRODUCTORY SECTION

CITY OF LORENZO
Lorenzo, Texas

MARCH 31, 2024

CITY COUNCIL

Tim Tiner (resigned January 2024)	Mayor
Lori Landin (elected May 2024)	Mayor
Cheryl Birdwell	Mayor Pro-Tem
Earlene Rampy	Member
Janet Peterson Gonzales	Member
Hilda Castillo	Member
Rhonda Cypert	Member

ADMINISTRATIVE STAFF

Michael Chambers	City Manager
Lisa Hernandez	City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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P.O. Box 93550
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Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council
City of Lorenzo
P.O. Box 430
Lorenzo, TX 79343-0430

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorenzo, Texas, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorenzo, Texas as of March 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lorenzo, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, identified as required supplementary information, 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.

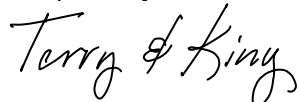
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lorenzo, Texas' basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part 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 Other Supplementary Information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2024, on our consideration of the City of Lorenzo, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lorenzo, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lorenzo, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Terry & King, CPAs, P.C.
Lubbock, Texas
July 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Lorenzo's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2024. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$394,579, net position of our governmental activities increased by \$46,330.
- During the year, the City had expenses that were \$39,534 less than the \$536,936 generated in tax and other revenues for governmental programs prior to interfund transfers.
- In the City's business type activities, expenses were \$64,670 more than the \$574,757 charges for services prior to grant revenues totaling \$466,045 and transfers out of \$6,796.
- The General Fund reported a surplus this year of \$5,243 prior to interfund transfers in of \$6,796. The General Fund fund balance increased \$12,039.
- The resources available for appropriation were \$54,590 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts for an overall favorable variance in spending of \$53.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, ambulance, fire, public works, and parks departments, and general administration. Property taxes, franchise taxes, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, sewer, and garbage services are reported here.

Reporting the City's Most Significant Funds – Fund Financial Statements

Our analysis of the City's funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net position was \$3,536,791. Our following analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$3,536,791 at March 31, 2024. (See Table A-1).

Table A-1
City of Lorenzo's Net Position

	Governmental Activities			Business-type Activities			Total		
	2024	2023	Percentage Change	2024	2023	Percentage Change	2024	2023	Percentage Change
Current assets:									
Cash and Temporary Investments	417,987	402,001	4%	205,250	165,851	24%	623,237	567,852	10%
Other Current Assets	96,242	74,063	30%	310,160	35,428	775%	406,402	109,491	271%
Total current assets:	514,229	476,064	8%	515,410	201,279	156%	1,029,639	677,343	52%
Noncurrent assets:									
Net Pension Asset	112,209	124,241	-10%	141,261	94,899	49%	253,470	219,140	16%
Capital Assets, net of depreciation	566,065	533,232	6%	3,159,482	1,854,234	70%	3,725,547	2,387,466	56%
Total noncurrent assets	678,274	657,473	3%	3,300,743	1,949,133	69%	3,979,017	2,606,606	53%
Total Assets	1,192,503	1,133,537	5%	3,816,153	2,150,412	77%	5,008,656	3,283,949	53%
Deferred Outflows of Resources									
Deferred Outflows - Pension	12,113	21,345	-43%	15,249	27,128	-44%	27,362	48,473	-44%
Total Deferred Outflows	12,113	21,345	-43%	15,249	27,128	-44%	27,362	48,473	-44%
Current liabilities:									
Accounts Payable	17,092	10,213	67%	303,361	19,342	1468%	320,453	29,555	984%
Accrued Liabilities	-	-	0%	5,810	-	100%	5,810	-	100%
Due within one year	-	-	0%	5,411	12,958	-58%	5,411	12,958	-58%
Total current liabilities	17,092	10,213	67%	314,582	32,300	874%	331,674	42,513	680%
Noncurrent liabilities:									
Due in more than one year	-	-	0%	999,000	5,411	18362%	999,000	5,411	18362%
Customer Deposits	-	-	0%	42,808	40,732	5%	42,808	40,732	5%
Total noncurrent liabilities	-	-	0%	1,041,808	46,143	2158%	1,041,808	46,143	2158%
Total Liabilities	17,092	10,213	67%	1,356,390	78,443	1629%	1,373,482	88,656	1449%
Deferred Inflows of Resources									
Deferred Inflows - Grants	-	-	0%	122,215	141,450	-14%	122,215	141,450	-14%
Deferred Inflows - Pension	1,563	5,038	-69%	1,967	1,396	41%	3,530	6,434	-45%
Total Deferred Inflows	1,563	5,038	-69%	124,182	142,846	-13%	125,745	147,884	-15%
Net Position:									
Net investment in capital assets	566,065	533,232	6%	2,155,071	1,835,865	17%	2,721,136	2,369,097	15%
Restricted	-	-	0%	46,315	-	100%	46,315	-	100%
Unrestricted	619,896	606,399	2%	149,444	120,386	24%	769,340	726,785	6%
Total Net Position	1,185,961	1,139,631	4%	2,350,830	1,956,251	20%	3,536,791	3,095,882	14%

Net position of the City's governmental activities increased 4% (\$1,185,961 compared to \$1,139,631). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$619,896 at the end of this year. Net position of the City's business-type activities increased 20%, from \$1,956,251 to \$2,350,830.

Table A-2
Changes in City of Lorenzo's Net Position

	Governmental Activities			Business-type Activities			Total		
	2024	2023	Percentage Change	2024	2023	Percentage Change	2024	2023	Percentage Change
Program Revenues:									
Charges for Services	10,300	11,201	-8%	574,757	513,528	12%	585,057	524,729	11%
Operating Grants	39,298	31,434	25%	-	-	0%	39,298	31,434	25%
Capital Grants & Contributions	-	-	0%	466,045	124,625	274%	466,045	124,625	274%
General Revenues:									
Property Taxes	346,426	303,873	14%	-	-	0%	346,426	303,873	14%
Nonproperty Taxes	110,688	118,647	-7%	-	-	0%	110,688	118,647	-7%
Investment Earnings	3,437	768	348%	-	-	0%	3,437	768	348%
Other	26,787	48,848	-45%	-	-	0%	26,787	48,848	-45%
	<u>536,936</u>	<u>514,771</u>	<u>4%</u>	<u>1,040,802</u>	<u>638,153</u>	<u>63%</u>	<u>1,577,738</u>	<u>1,152,924</u>	<u>37%</u>
Expenses:									
General Administration	194,052	179,434	8%	-	-	0%	194,052	179,434	8%
Public Safety	141,993	132,048	8%	-	-	0%	141,993	132,048	8%
Streets and Service	143,927	95,828	50%	-	-	0%	143,927	95,828	50%
Health and Welfare	4,989	3,306	51%	-	-	0%	4,989	3,306	51%
Parks & Recreation	12,441	9,183	35%	-	-	0%	12,441	9,183	35%
Utilities	-	-	0%	639,427	621,329	3%	639,427	621,329	3%
	<u>497,402</u>	<u>419,799</u>	<u>18%</u>	<u>639,427</u>	<u>621,329</u>	<u>3%</u>	<u>1,136,829</u>	<u>1,041,128</u>	<u>9%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers									
	39,534	94,972	-58%	401,375	16,824	2286%	440,909	111,796	294%
Other Resources (Uses) Transfers In (Out)									
	-	-	0%	-	-	0%	-	-	0%
	<u>6,796</u>	<u>1,737</u>	<u>291%</u>	<u>(6,796)</u>	<u>(1,737)</u>	<u>291%</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Increase (Decrease) in Net Position									
	46,330	96,709	-52%	394,579	15,087	2515%	440,909	111,796	294%
Net Position, Beginning									
	1,139,631	1,042,922	9%	1,956,251	1,941,821	1%	3,095,882	2,984,743	4%
Prior Period Adjustment									
	-	-	0%	-	(657)	-100%	-	(657)	-100%
Net Position, Ending									
	<u>1,185,961</u>	<u>1,139,631</u>	<u>4%</u>	<u>2,350,830</u>	<u>1,956,251</u>	<u>20%</u>	<u>3,536,791</u>	<u>3,095,882</u>	<u>14%</u>

The City's total revenues were \$1,577,738. A significant portion, 66%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (65%), non-property taxes (21%), charges for services (2%), grants & contributions (7%), and other (5%).

The total cost of all programs and services was \$1,136,829; 56% of these costs were for utilities production and administration expenses. Expenses for governmental activities consisted of costs for general administration (39%), public safety (29%), streets and services (29%), health and welfare (1%), and other (2%).

Governmental Activities

Revenues for the City's governmental activities were \$536,936.

- Property tax rates increased from \$0.858309 to \$0.951756 per \$100 value. The ad valorem tax levy for the previous fiscal year was \$296,626, compared to \$321,970 for the current year. Total tax collections increased 2%, from \$295,359 in the prior year to \$302,509.
- Grants and contributions revenues increased \$7,864.
- Revenues from nonproperty taxes decreased \$7,959.
- The City received revenues in the current year for tax deed sales amounting to \$2,250 which was a decrease from the prior year's revenue of \$30,970.
- The cost of all *governmental* activities this year was \$497,402. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$346,426 because some of the costs were paid by those who directly benefited from the programs (\$10,300), grants and contributions \$39,298, or by nonproperty taxes (\$110,688).

Business-type Activities

Revenues of the City's business-type activities (see table A-2) were \$1,040,802.

THE CITY’S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$435,980. The following items effecting fund balance should be noted:

- Total expenditures in the General Fund were \$512,447. Capital outlay expenditures were \$81,524.
- Revenues were \$517,690 in the General Fund. Property and non-property taxes were \$437,868.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City’s budget several times. Even with these adjustments, actual expenditures were \$53 less than the final budget amounts. Revenues were \$54,590 more than the final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the City had \$8,836,818 invested in a broad range of capital assets, including police, ambulance and fire equipment, infrastructure, buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$1,529,711 from last year.

Table A-3
Fixed Assets

Governmental <u>Activities:</u>	Balance <u>04-01-23</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>03-31-24</u>
Land	\$ 13,275	-	-	13,275
Infrastructure	1,765,966	49,500	-	1,815,466
Buildings& Improvements	1,009,072	-	-	1,009,072
Furniture & Equipment	631,221	32,024	-	663,245
Accumulated Depreciation	<u>(2,886,302)</u>	<u>(48,691)</u>	-	<u>(2,934,993)</u>
Net Capital Assets	\$ <u>533,232</u>	\$ <u>32,833</u>	\$ -	\$ <u>566,065</u>

Capital Assets (continued)

Business-Type Activities:	Balance 04-01-23	Additions	Deletions/ Reclassifications	Balance 03-31-24
Land	\$ 2,260	-	-	2,260
Buildings& Improvements	14,843	-	-	14,843
Furniture & Equipment	226,137	-	-	226,137
Water System	1,828,840	1,448,187	-	3,277,027
Sewer System	1,751,690	-	-	1,751,690
Right-to-Use – Leased Equipment	63,803	-	-	63,803
Accumulated Depreciation	<u>(2,033,339)</u>	<u>(142,939)</u>	<u>-</u>	<u>(2,176,278)</u>
Net Capital Assets	\$ <u>1,854,234</u>	\$ <u>1,305,248</u>	\$ <u>-</u>	\$ <u>3,159,482</u>

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

Debt

During fiscal year 2022, the City entered into a lease for a backhoe. The lease requires 36 monthly payments of \$1,083 and is being amortized using an interest rate of 0.315%. This lease is accounted for in the Water & Sewer Fund.

During fiscal year 2024, the City issued Water System Revenue Bonds, Series 2023. The bonds were used for a new water tower and fire hydrants. The bonds are payable over 40 years and have an interest rate of 1.75%.

Changes in long-term obligations for the year ended March 31, 2024 are as follows:

<u>Water & Sewer Fund:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds, 2023	\$ -	\$ 999,000	\$ -	\$ 999,000	\$ -
Lease	<u>18,369</u>	<u>-</u>	<u>12,958</u>	<u>5,411</u>	<u>5,411</u>
Total Long-Term Obligations	\$ <u>18,369</u>	\$ <u>999,000</u>	\$ <u>12,958</u>	\$ <u>1,004,411</u>	\$ <u>5,411</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered many factors when setting the fiscal year 2025 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year.

No major changes are planned for the upcoming year in programs or projects. The property tax values remained basically unchanged. The Council has adopted tax rates, budgets and increased fees accordingly. It is planned that the City's Net Position at the end of the fiscal year ending March 31, 2025 will increase slightly.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Lorenzo, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF LORENZO
Lorenzo, Texas

STATEMENT OF NET POSITION
March 31, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
<u>Current Assets:</u>			
Cash in Bank	\$ 397,935	\$ 36,409	\$ 434,344
Temporary Investments	20,052	-	20,052
Cash in Bank - Restricted for Grant Projects	-	168,841	168,841
Accounts Receivable, net	-	29,127	29,127
Property Taxes Receivable, net	61,157	-	61,157
Nonproperty Taxes Receivable	19,821	-	19,821
Due from Other Governments	15,264	281,033	296,297
<u>Noncurrent Assets:</u>			
Net Pension Asset	112,209	141,261	253,470
Land	13,275	2,260	15,535
Infrastructure, net	227,732	-	227,732
Buildings & Improvements, net	278,189	-	278,189
Furniture & Equipment, net	46,869	3,148,361	3,195,230
Right-to-Use Equipment, net	-	8,861	8,861
<u>TOTAL ASSETS</u>	<u>\$ 1,192,503</u>	<u>\$ 3,816,153</u>	<u>\$ 5,008,656</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	12,113	15,249	27,362
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 12,113</u>	<u>\$ 15,249</u>	<u>\$ 27,362</u>
LIABILITIES:			
<u>Current Liabilities:</u>			
Accounts Payable	\$ 17,092	\$ 303,361	\$ 320,453
Accrued Interest Expense	-	5,810	5,810
Due within one year	-	5,411	5,411
<u>Noncurrent Liabilities</u>			
Due in more than one year	-	999,000	999,000
Customer Deposits	-	42,808	42,808
<u>Total Liabilities</u>	<u>\$ 17,092</u>	<u>\$ 1,356,390</u>	<u>\$ 1,373,482</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	1,563	1,967	3,530
Deferred Inflows - Grant Funds	-	122,215	122,215
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 1,563</u>	<u>\$ 124,182</u>	<u>\$ 125,745</u>
NET POSITION			
Net investment in capital assets	\$ 566,065	\$ 2,155,071	\$ 2,721,136
<u>Restricted for:</u>			
Debt Service	-	39,265	39,265
Future Asset Maintenance	-	7,050	7,050
Unrestricted Net Position	619,896	149,444	769,340
<u>Total Net Position</u>	<u>\$ 1,185,961</u>	<u>\$ 2,350,830</u>	<u>\$ 3,536,791</u>

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas
STATEMENT OF ACTIVITIES
Year Ended March 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:							
General Administration	\$ 194,052	\$ 10,300	\$ -	\$ -	\$ (183,752)	-	(183,752)
Public Safety	141,993	-	39,298	-	(102,695)	-	(102,695)
Streets and Service	143,927	-	-	-	(143,927)	-	(143,927)
Health and Welfare	4,989	-	-	-	(4,989)	-	(4,989)
Parks and Recreation	12,441	-	-	-	(12,441)	-	(12,441)
Total Government Activities	497,402	10,300	39,298	-	(447,804)	-	(447,804)
Business-type Activities							
Utility Fund	639,427	574,757	-	466,045	-	401,375	401,375
Total Primary Government	1,136,829	585,057	39,298	466,045	(447,804)	401,375	(46,429)
General Revenues:							
Property Taxes, Levied for General Purposes					346,426	-	346,426
Franchise Taxes					54,895	-	54,895
Sales Taxes					55,793	-	55,793
Fines & Forfeits					9,194	-	9,194
Investment Earnings					3,437	-	3,437
Miscellaneous					17,593	-	17,593
Transfers					6,796	(6,796)	-
Total General Revenue					494,134	(6,796)	487,338
Change in Net Position					46,330	394,579	440,909
Net Position -- Beginning					1,139,631	1,956,251	3,095,882
Net Position -- Ending					\$ 1,185,961	\$ 2,350,830	\$ 3,536,791

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
March 31, 2024

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 397,935	\$ 397,935
Temporary Investments	20,052	20,052
Property Taxes Receivable, net	61,157	61,157
Nonproperty Taxes Reveivable	19,821	19,821
Due from Other Governments	<u>15,264</u>	<u>15,264</u>
<u>TOTAL ASSETS</u>	<u>\$ 514,229</u>	<u>\$ 514,229</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 17,092	\$ 17,092
<u>Total Liabilities</u>	<u>17,092</u>	<u>17,092</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue - Property Taxes	<u>61,157</u>	<u>61,157</u>
<u>Total Deferred Inflows of Resources</u>	<u>61,157</u>	<u>61,157</u>
FUND EQUITIES		
Committed for:		
Police & Courts	12,718	12,718
Fire Department	33,765	33,765
Fund Balance-Unassigned	<u>389,497</u>	<u>389,497</u>
<u>Total Fund Equities</u>	<u>435,980</u>	<u>435,980</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 514,229</u>	<u>\$ 514,229</u>

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
March 31, 2024

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 435,980
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	61,157
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	566,065
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$112,209, a deferred resource outflow related to Pensions in the amount of \$12,113 and a deferred resource inflow in the amount of \$1,563. This resulted in an increase in net position by \$122,759.	<u>122,759</u>
Net Position of Governmental Activities -- Statement of Net Position	<u><u>\$ 1,185,961</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2024

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 327,180	\$ 327,180
Franchise Taxes	54,895	54,895
Sales Taxes	55,793	55,793
Fines & Permits	9,194	9,194
Interest	3,437	3,437
Rents	10,300	10,300
Contributions	39,298	39,298
State Grants	-	-
Federal Grants	-	-
Miscellaneous	17,593	17,593
<u>Total Revenues</u>	<u>517,690</u>	<u>517,690</u>
EXPENDITURES		
Current		
General Administration	196,878	196,878
Public Safety	141,981	141,981
Streets & Service	157,604	157,604
Health & Welfare	3,543	3,543
Parks & Recreation	12,441	12,441
Capital Outlay	-	-
<u>Total Expenditures</u>	<u>512,447</u>	<u>512,447</u>
Excess of Revenues Over Expenditures	5,243	5,243
OTHER FINANCING SOURCES (USES)		
Transfers In/(Out)	6,796	6,796
Sale of Capital Assets	-	-
<u>Total Other Sources (Uses)</u>	<u>6,796</u>	<u>6,796</u>
Net Change in Fund Balances	12,039	12,039
Fund Balance--Beginning of Year	<u>423,941</u>	<u>423,941</u>
<u>Fund Balance--End of Year</u>	<u>\$ 435,980</u>	<u>\$ 435,980</u>

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, 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 March 31, 2024

Net Change in Fund Balances -- Total Governmental Funds	\$ 12,039
Amounts reported for governmental activities in the statement of activities ("SOA") 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 useful lives as depreciation expense. This is the amount of capital outlays during the current period.	81,523
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(48,690)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.	19,247
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in pension expense	<u>(17,789)</u>
Change in Net Position -- Statement of Activities	<u>\$ 46,330</u>

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
March 31, 2024

	Business-Type Activities-- <u>Water, Sewer, and Sanitation</u>
ASSETS	
<u>Current Assets:</u>	
Cash	\$ 36,409
Cash - Restricted	168,841
Accounts Receivable, net (allowance for uncollectible accounts of \$8,228)	29,127
Due from Other Governments	281,033
<u>Total Current Assets</u>	<u>515,410</u>
<u>Noncurrent Assets:</u>	
Net Pension Asset	141,261
Land	2,260
Utility Systems & Equipment, net	3,148,361
Right-to-Use Equipment, net	8,861
<u>Total Noncurrent Assets</u>	<u>3,300,743</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,816,153</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	\$ 15,249
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 15,249</u>
 LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	\$ 303,361
Accrued Interest Expense	5,810
Due within one year	5,411
<u>Noncurrent Liabilities:</u>	
Due in more than one year	999,000
Customer Deposits	42,808
<u>TOTAL LIABILITIES</u>	<u>1,356,390</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	\$ 1,967
Deferred Inflows - Grant Funds	122,215
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 124,182</u>
 NET POSITION	
Net investment in capital assets	2,155,071
Restricted for:	
Debt Service	39,265
Future Asset Maintenance	7,050
Unrestricted Net Position	149,444
<u>TOTAL NET POSITION</u>	<u>2,350,830</u>

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS
For the Year Ended March 31, 2024

	Business-Type Activities-- <u>Water, Sewer, and Sanitation</u>
<u>Operating Revenues</u>	
Water	\$ 325,271
Sewer	133,672
Sanitation	97,291
Late Fees	18,523
<u>Total Operating Revenues</u>	<u>574,757</u>
<u>Operating Expenses</u>	
Cost of Sales - Sanitation	102,246
Salaries	142,937
Payroll Taxes	10,756
Retirement Costs	(4,501)
Health Insurance	32,622
Depreciation	142,939
Insurance	15,743
Lab Fees	4,188
Office Supplies & Expense	14,476
Professional Fees	24,402
Repairs & Supplies	60,772
Utilities & Telephone	51,670
Water Distribution & Sewer Plant Expense	32,040
Miscellaneous	2,432
<u>Total Operating Expenses</u>	<u>632,722</u>
<u>Operating Income (Loss) Before</u>	
<u>Non-Operating Revenues (Expenses)</u>	(57,965)
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	-
Interest Expense	(6,705)
Gain on Sale of Capital Assets	-
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(6,705)</u>
<u>Income Before Contributions and Transfers</u>	(64,670)
<u>Contributions and Transfers</u>	
Capital Contribution - Grants	466,045
Transfer from/(to) General Fund	(6,796)
<u>Total Contributions and Transfers</u>	<u>459,249</u>
Change in Net Position	394,579
NET POSITION	
Net Position, Beginning of Year	1,956,251
Net Position, End of Year	<u>\$ 2,350,830</u>

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, TX

STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended March 31, 2024

	Business-type Activities Enterprise Funds
	Water, Sewer, and Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 583,134
Payments to Suppliers	(304,984)
Payments to Employees	(215,726)
Net Cash Provided by Operating Activities	62,424
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers To Other Funds	(6,796)
Interfund Balances	-
Net Cash Provided by Noncapital Financing Activities	(6,796)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Long-Term Debt	999,000
Payments on Long-Term Debt	(13,853)
Acquisition of Capital Assets	(1,167,153)
Capital Contributions - Grants	165,777
Net Cash (used) by Capital and Related Financing Activities	(16,229)
Net Increase in Cash and Cash Equivalents	39,399
Balances--Beginning of the Year	165,851
Balances--End of the Year	\$ 205,250
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (57,965)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	142,939
Change in assets and liabilities:	
Receivables, net	6,301
Accounts and other payables	(30,927)
Customer Deposits	2,076
Net Cash Provided by Operating Activities	\$ 62,424

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS
March 31, 2024

Note A: Summary of Significant Accounting Policies

The City of Lorenzo, Texas, was incorporated under the provisions of the State of Texas. The City operates under a Council-Secretary form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities operations.

The basic financial statements of the City of Lorenzo have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Lorenzo. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Lorenzo.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
March 31, 2024

Note A: Summary of Significant Accounting Policies--Continued

Fund Financial Statements: The fund financial statements provide information about the City's Funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

In addition, the City reports the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that 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 be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resource measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
March 31, 2024

Note A: Summary of Significant Accounting Policies--Continued

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City currently has net position restricted in the Water & Sewer Fund under the terms of a USDA grant/loan contract. These restricted amounts are \$39,265 for future debt service and \$7,050 for future maintenance on the water tower.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City has fund balances committed of \$12,718 for court technology and police department activities. Additionally, \$33,765 is committed for fire department activity.

Unassigned: This classification includes the residual fund balance for the General Fund.

The City would typically use Restricted fund balances first, followed by Committed resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

It is the City's policy to use restricted net position first, followed by unrestricted resources, but reserves the right to selectively spend unrestricted net position first to defer the use of these other classified funds.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
March 31, 2024

Note A: Summary of Accounting Policies--Continued

3. Financial Statement Amounts

a. Deposits and Investments

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 purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of March 31, 2024, the amount deemed uncollectible by this estimate was \$34,677. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
March 31, 2024

Note A: Summary of Accounting Policies--Continued

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 Years
Buildings	50 Years
Building Improvements	20 Years
Vehicles	5-15 Years
Furniture and Equipment	3-15 Years
Computer Equipment	3 Years

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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. The City currently has one item which qualifies for reporting in this category related to pensions.

Governmental Funds: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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. The City currently 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 fund balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
March 31, 2024

Note A: Summary of Accounting Policies--Continued

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

i. Pensions

For 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.

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

Note C: Deposits and Investments

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

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
March 31, 2024

Note C: Deposits and Investments (continued)

Cash Deposits

At March 31, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$601,396 and the bank balance was \$565,204. The City's cash deposits at March 31 and for the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

State statutes and Council policy authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The City's investments at March 31, 2024 included certificates of deposit in the amount of \$37,042 and investment pools of \$20,052.

<u>Fund Rating</u> <u>Investment Pool</u>	<u>Wtd Average</u> <u>(Standard & Poor's)</u>	<u>Maturity</u>	<u>Amount</u>
Texpool	AAAm	38 Days	\$ 20,052

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
March 31, 2024

Note C: Deposits and Investments (continued)

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires the determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9
March 31, 2024

Note D: Capital Assets

Governmental Activities:

	Balance <u>04-01-23</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>03-31-24</u>
Land	\$ 13,275	-	-	13,275
Construction in Progress	-	-	-	-
Infrastructure	1,765,966	49,500	-	1,815,466
Buildings & Improvement	1,009,072	-	-	1,009,072
Furniture & Equipment	<u>631,221</u>	<u>32,024</u>	<u>-</u>	<u>663,245</u>
Total Capital Assets	<u>\$ 3,419,534</u>	<u>\$ 81,524</u>	<u>\$ -</u>	<u>\$ 3,501,058</u>

	Balance <u>04-01-23</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>03-31-24</u>
<u>Less Accumulated Depreciation:</u>				
Infrastructure	1,560,577	27,157	-	1,587,734
Buildings & Improvements	716,831	14,052	-	730,883
Furniture & Equipment	<u>608,894</u>	<u>7,482</u>	<u>-</u>	<u>616,376</u>
Total Accumulated Depreciation	<u>\$ 2,886,302</u>	<u>\$ 48,691</u>	<u>-</u>	<u>\$ 2,934,993</u>
Net Capital Assets	<u>\$ 533,232</u>	<u>\$ 32,833</u>	<u>\$ -</u>	<u>\$ 566,065</u>

Business-Type Activities:

	Balance <u>04-01-23</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>03-31-24</u>
Land	\$ 2,260	-	-	2,260
Buildings	14,843	-	-	14,843
Water System	1,828,840	1,448,187	-	3,277,027
Sewer System	1,751,690	-	-	1,751,690
Furniture & Equipment	226,137	-	-	226,137
Right-to-Use – Leased Equipment	<u>63,803</u>	<u>-</u>	<u>-</u>	<u>63,803</u>
Total Capital Assets	<u>\$ 3,887,573</u>	<u>\$ 1,448,187</u>	<u>\$ -</u>	<u>\$ 5,335,760</u>

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
March 31, 2024

Note D: Capital Assets (continued)

	Balance <u>04-01-23</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	Balance <u>03-31-24</u>
<u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings	\$ 14,843	-	-	14,843
Water System	1,124,950	52,022	-	1,176,972
Sewer System	748,216	42,904	-	791,120
Furniture & Equipment	111,656	26,745	-	138,401
Right-to-Use – Leased Equipment	<u>33,674</u>	<u>21,268</u>	<u>-</u>	<u>54,942</u>
Total Accumulated Depreciation	<u>\$ 2,033,339</u>	<u>\$ 142,939</u>	<u>-</u>	<u>\$ 2,176,278</u>
Net Capital Assets	<u>\$ 1,854,234</u>	<u>\$ 1,305,248</u>	<u>\$ -</u>	<u>\$ 3,159,482</u>

Depreciation was charged to functions as follows:

General Administration	\$ 11,978
Public Safety	8,109
Streets & Services	27,157
Health & Welfare	1,447
Water & Sewer	<u>142,939</u>
Total Depreciation	<u>\$ 191,630</u>

Note E: Long-Term Obligations

During fiscal year 2022, the City entered into a lease for a backhoe. The lease requires 36 monthly payments of \$1,083 and is being amortized using an interest rate of 0.315%. This lease is accounted for in the Water & Sewer Fund.

During fiscal year 2024, the City issued Water System Revenue Bonds, Series 2023. The bonds were used for a new water tower and fire hydrants. The bonds are payable over 40 years and have an interest rate of 1.75%.

Changes in long-term obligations for the year ended March 31, 2024 are as follows:

<u>Water & Sewer Fund:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds, 2023	\$ -	\$ 999,000	\$ -	\$ 999,000	\$ -
Lease	<u>18,369</u>	<u>-</u>	<u>12,958</u>	<u>5,411</u>	<u>5,411</u>
Total Long-Term Obligations	<u>\$ 18,369</u>	<u>\$ 999,000</u>	<u>\$ 12,958</u>	<u>\$ 1,004,411</u>	<u>\$ 5,411</u>

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
March 31, 2024

Note E: Long-Term Obligations

Future payments required for long-term obligations at March 31, 2024 are as follows:

<u>Year Ending March 31,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,411	\$ 14,587	\$ 14,587
2026	18,000	17,565	35,565
2027	18,000	17,565	35,565
2028	19,000	16,565	35,565
2029	19,000	16,565	35,565
2030-2034	100,000	77,825	177,825
2035-2039	109,000	68,825	177,825
2040-2044	119,000	58,825	177,825
2045-2049	130,000	47,825	177,825
2050-2054	141,000	36,825	177,825
2055-2059	154,000	23,825	177,825
2060-2064	172,000	8,260	180,260
	<u>\$ 1,004,411</u>	<u>\$ 405,057</u>	<u>\$ 1,409,468</u>

Note F: Interfund Transfers

Interfund transfers for the year ended March 31, 2024 consisted of the following:

<u>Fund</u>	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
<u>General Fund:</u>		
Proprietary Fund	\$ <u>6,796</u>	\$ <u>-</u>
<u>Proprietary Fund:</u>		
General Fund	<u>-</u>	<u>6,796</u>
<u>Total</u>	<u>\$ 6,796</u>	<u>\$ 6,796</u>

These interfund transfers represent cash flow transfers between the general fund and proprietary fund in the normal course of business.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
March 31, 2024

Note G: TMRS-Pension Plan

Plan Description

The City of Lorenzo participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	70% of CPI	70% of CPI

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
March 31, 2024

Note G: TMRS-Pension Plan (continued)

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>6</u>
Total	16

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Lorenzo were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City of Lorenzo were 1.30% and 1.46% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended March 31, 2024 were \$8,053, and were more than the required contributions. The City actually contributed at a rate of 3.14%.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
March 31, 2024

Note G: TMRS-Pension Plan (continued)

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 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

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

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

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
March 31, 2024

Note G: TMRS-Pension Plan (continued)

Discount Rate

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

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/22	\$ 446,557	\$ 665,697	\$ (219,140)
Changes for the year:			
Service cost	26,144		26,144
Interest	30,327		30,327
Change of benefit terms			
Difference between expected and actual experience	7,885		7,885
Changes of assumptions	(2,675)		(2,675)
Contributions - employer		7,863	(7,863)
Contributions - employee		12,521	(12,521)
Net investment income		76,121	(76,121)
Benefit payments, including refunds of employee contributions	(20,690)	(20,690)	-
Administrative expense		(490)	490
Other changes		(4)	4
Net changes	<u>40,991</u>	<u>75,321</u>	<u>(34,330)</u>
Balance at 12/31/23	<u>\$ 487,548</u>	<u>\$ 741,018</u>	<u>\$ (253,470)</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ (180,513)	\$ (253,470)	\$ (312,986)

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
March 31, 2024

Note G: TMRS-Pension Plan (continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended March 31, 2024, the city recognized pension expense of \$(8,070).

At March 31, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,552	\$ 1,647
Changes in actuarial assumptions	\$ -	\$ 1,883
Difference between projected and actual investment earnings	\$ 19,803	\$ -
Contributions subsequent to the measure date December 31, 2021	<u>\$ 2,007</u>	<u>\$ -</u>
Total	\$ 27,362	\$ 3,530

\$2,007 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending March 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2024	\$ 5,497
2025	7,631
2026	14,931
2027	(6,234)
2028	-
Thereafter	<u>-</u>
Total	\$ 21,825

Note H: Litigation

There was no reportable litigation pending or in progress against the City at March 31, 2024.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
March 31, 2024

Note I: Risk Management

The City manages risk by purchasing property, liability, and workers compensation insurance through the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool's mission is to provide Texas municipalities and other units of local government with a stable source of risk financing and loss prevention services at the lowest cost consistent with sound business practices. The Pool provides property, liability and workers' compensation coverage for certain governmental entities of the State of Texas. Member entities include municipalities, housing authorities, councils of governments, hospital districts, water districts and tax appraisal districts. The Pool consists of separate funds: the Workers' Compensation Fund, the Liability Fund, the Property Fund, the Reinsurance Fund, and the Stability Fund. The financial results of these coverages are accounted for in separate funds by the Pool.

The Pool purchases excess insurance to protect against catastrophic losses that exceed the Pool's self-insurance retention. This excess insurance is purchased from domestic A-rated companies.

There have been no significant reductions in insurance coverage during the fiscal year ended March 31, 2024. Settled claims have not exceeded coverage in any of the past three years.

The Pool engages the services of an independent auditor to conduct a financial audit after the close of each plan year on September 30. The Pool's audited financial statements as of September 30, 2023, are available on their website at <http://tmlirp.org>.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LORENZO
Lorenzo, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2024

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty and Interest)	\$ 304,929	\$ 304,929	\$ 327,180	\$ 22,251
Franchise Taxes	55,000	55,000	54,895	(105)
Sales Taxes	58,000	58,000	55,793	(2,207)
Fines & Permits	4,500	4,500	9,194	4,694
Interest	-	-	3,437	3,437
Rents	9,800	9,800	10,300	500
Contributions	2,500	2,500	39,298	36,798
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Miscellaneous	28,371	28,371	17,593	(10,778)
<u>Total Revenues</u>	<u>463,100</u>	<u>463,100</u>	<u>517,690</u>	<u>54,590</u>
<u>Expenditures</u>				
Current				
General Administration	195,897	195,897	196,878	(981)
Public Safety	113,500	143,500	141,981	1,519
Streets & Service	191,603	161,603	157,604	3,999
Health & Welfare	1,500	1,500	3,543	(2,043)
Parks and Recreation	10,000	10,000	12,441	(2,441)
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>512,500</u>	<u>512,500</u>	<u>512,447</u>	<u>53</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	115,400	115,400	6,796	(108,604)
Sale of Capital Assets	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>115,400</u>	<u>115,400</u>	<u>6,796</u>	<u>(108,604)</u>
<u>Excess of Revenues and Other Sources</u>				
<u>Over (Under) Expenditures and Other Uses</u>	66,000	66,000	12,039	(53,961)
Fund Balance, Beginning of Year	423,941	423,941	423,941	-
<u>Fund Balance, End of Year</u>	<u>\$ 489,941</u>	<u>\$ 489,941</u>	<u>\$ 435,980</u>	<u>\$ (53,961)</u>

CITY OF LORENZO
Lorenzo, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TMRS
(unaudited)

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total Pension Liability									
Service Cost	\$ 26,144	\$ 25,163	\$ 23,373	\$ 22,197	\$ 21,250	\$ 28,343	\$ 26,579	\$ 22,481	\$ 21,808
Interest (on the Total Pension Liability)	30,327	28,902	27,325	25,978	28,676	28,482	29,961	27,885	26,765
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	7,885	(4,306)	(510)	(8,637)	(54,636)	(10,242)	(55,619)	30	(876)
Change of assumptions	(2,675)	-	-	-	(524)	-	-	-	3,056
Benefit payments, including refunds of employee contributions	(20,690)	(37,600)	(17,831)	(22,518)	(47,888)	(32,445)	(14,981)	(28,398)	(12,292)
Net change in Total Pension Liability	40,991	12,159	32,357	17,020	(53,122)	14,138	(14,060)	21,998	38,461
Total Pension Liability - Beginning	446,557	434,398	402,041	385,021	438,143	424,005	438,065	416,067	377,606
Total Pension Liability - Ending (a)	\$ 487,548	\$ 446,557	\$ 434,398	\$ 402,041	\$ 385,021	\$ 438,143	\$ 424,005	\$ 438,065	\$ 416,067
Plan Fiduciary Net Position									
Contributions - employer	7,863	7,705	7,050	6,575	6,509	8,799	8,188	4,772	5,226
Contributions - employee	12,521	12,191	11,226	10,470	10,325	14,018	13,080	10,945	11,230
Net investment income	76,121	(53,207)	84,125	46,143	86,093	(17,506)	70,415	32,989	715
Benefit payments, including refunds of employee contributions	(20,690)	(37,600)	(17,831)	(22,518)	(47,888)	(32,445)	(14,981)	(28,398)	(12,292)
Administrative expense	(490)	(465)	(393)	(301)	(487)	(339)	(365)	(373)	(435)
Other	(4)	555	2	(10)	(15)	(18)	(19)	(20)	(21)
Net Change in Plan Fiduciary Net Position	75,321	(70,821)	84,179	40,359	54,537	(27,491)	76,318	19,915	4,423
Plan Fiduciary Net Position - Beginning	665,697	736,518	652,339	611,980	557,443	584,934	508,616	488,701	484,278
Plan Fiduciary Net Position - Ending (b)	\$ 741,018	\$ 665,697	\$ 736,518	\$ 652,339	\$ 611,980	\$ 557,443	\$ 584,934	\$ 508,616	\$ 488,701
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (253,470)	\$ (219,140)	\$ (302,120)	\$ (250,298)	\$ (226,959)	\$ (119,300)	\$ (160,929)	\$ (70,551)	\$ (72,634)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	151.99%	149.07%	169.55%	162.26%	158.95%	127.23%	137.95%	116.11%	117.46%
Covered Employee Payroll	\$ 250,422	\$ 243,828	\$ 224,526	\$ 209,408	\$ 206,507	\$ 280,351	\$ 261,601	\$ 218,900	\$ 224,597
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-101.22%	-89.87%	-134.56%	-119.53%	-109.90%	-42.55%	-61.52%	-32.23%	-32.34%

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS
(unaudited)

	Fiscal Year Ending March 31,								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 3,435	\$ 3,562	\$ 4,166	\$ 4,559	\$ 4,294	\$ 7,242	\$ 8,569	\$ 5,836	\$ 4,855
Contributions in relation to the actuarially determined contribution	<u>8,053</u>	<u>7,778</u>	<u>7,145</u>	<u>6,582</u>	<u>6,445</u>	<u>8,070</u>	<u>8,661</u>	<u>5,836</u>	<u>4,855</u>
Contribution deficiency (excess)	<u>\$ (4,618)</u>	<u>\$ (4,216)</u>	<u>\$ (2,979)</u>	<u>\$ (2,023)</u>	<u>\$ (2,151)</u>	<u>\$ (828)</u>	<u>\$ (92)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 256,468	\$ 247,711	\$ 227,554	\$ 209,618	\$ 205,248	\$ 257,007	\$ 275,818	\$ 240,337	\$ 209,525
Contributions as a percentage of covered employee payroll	3.14%	3.14%	3.14%	3.14%	3.14%	3.14%	3.14%	2.43%	2.32%

The accompanying notes are an integral part of this statement.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
March 31, 2024

Schedule of Contributions – TMRS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUP(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LORENZO
Lorenzo, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended March 31, 2024

Years Ended March 31	Tax Rate Per \$100 Value	Assessed/Appraised Value for Tax Purposes	Balance 04/01/23	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 03/31/24
2015 and Prior	\$ --	\$ --	\$ 5,082	\$ -	\$ 554	\$ (2)	\$ 4,526
2016	0.6454	26,414,317	921	-	129	-	792
2017	0.6868	26,744,030	1,524	-	520	-	1,004
2018	0.7353	26,925,745	2,334	-	827	-	1,507
2019	0.9003	29,812,396	4,128	-	1,521	-	2,607
2020	0.9003	30,729,535	5,335	-	1,391	-	3,944
2021	0.9034	29,343,923	6,803	-	1,441	-	5,362
2022	0.9034	31,145,783	9,435	-	2,827	-	6,608
2023	0.8583	34,559,711	40,835	-	26,980	(22)	13,833
2024	0.9518	33,829,049	-	321,970	266,319	-	55,651
		<u>Totals</u>	<u>\$ 76,397</u>	<u>\$ 321,970</u>	<u>\$ 302,509</u>	<u>\$ (24)</u>	<u>\$ 95,834</u>

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Independent Auditors' Report

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

To the Honorable Mayor and City Council
City of Lorenzo
P.O. Box 430
Lorenzo, TX 79343

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorenzo, Texas, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Lorenzo's basic financial statements, and have issued our report thereon dated July 29, 2024.

Internal Control Over Financial Reporting

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

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



Independent Auditors' Report
Page 2

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

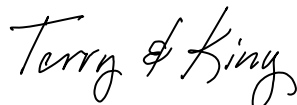
Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Terry & King, CPAs, P.C.
Lubbock, Texas
July 29, 2024

Terry & King, CPAs, P.C.

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Lubbock, TX 79493-3550

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Independent Auditors' Report

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and City Council
City of Lorenzo
P.O. Box 430
Lorenzo, TX 79343

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lorenzo's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended March 31, 2024. City of Lorenzo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Lorenzo complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Lorenzo and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Lorenzo's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Lorenzo's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Lorenzo's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Lorenzo's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Independent Auditors' Report

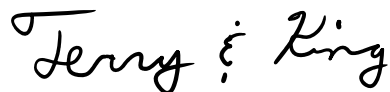
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
July 29, 2024

CITY OF LORENZO
Lorenzo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2024

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No

Significant deficiencies identified that
are not considered to be material
weaknesses? Yes X None Reported

Noncompliance material to financial
Statements noted? Yes X No

2. Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes X No

Significant deficiencies identified that
are not considered to be material
weaknesses? Yes X None Reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
To be reported in accordance with the
Uniform Guidance? Yes X No

Identification of major programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Wastewater Disposal Systems for Rural Communities

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF LORENZO
Lorenzo, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended March 31, 2024

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
None	N/A	N/A

CITY OF LORENZO
Lorenzo, Texas

CORRECTIVE ACTION PLAN
For the Year Ended March 31, 2024

Not Applicable – None Required

CITY OF LORENZO
Lorenzo, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2024

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal AL Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	446,810
Water and Waste Disposal Systems for Rural Communities (Loan Program)	10.760	N/A	<u>999,000</u>
Total U.S. Department of Agriculture			<u>1,445,810</u>
 <u>U.S. Department of the Treasury</u>			
Direct Program:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	19,235
Total U.S. Department of the Treasury			<u>19,235</u>
 <u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			 <u>\$ 1,465,045</u>

* - Indicates a cluster program under Uniform Guidance.

The accompanying notes are an integral part of this schedule.

CITY OF LORENZO
Lorenzo, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2024

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended March 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. The Business-Type activities are reported using the economic resources measurement focus and the accrual basis of accounting.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Proprietary Fund Financial Statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received, they are recorded as unearned revenue until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in 2 CFR Part 200, Part 3, Section H, Period of Performance.

The City elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Outstanding Loan Balances as of March 31, 2024:

USDA Water and Waste Disposal Systems for Rural Communities (10.760) - \$999,000