

CITY OF IOLA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023



Davis, Heinemann & Company, P.C.

Certified Public Accountants

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Introductory Section

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City of lola, Texas
Annual Financial Report
For The Year Ended September 30, 2023

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Financial Section

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Independent Auditor's Report

To the Board of Aldermen
City of lola, Texas
P.O.Box 84
lola, Texas 77861

Opinions

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

In our opinion, the accompanying financial statements 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 City of lola, Texas as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of lola, 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 City of lola, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 GAAS, 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 District'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 and budgetary comparison 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 City of Iola, Texas' basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

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

Respectfully submitted,

Davis, Heinemann + Co.

Davis, Heinemann & Company, P.C.

Huntsville, Texas
March 18, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

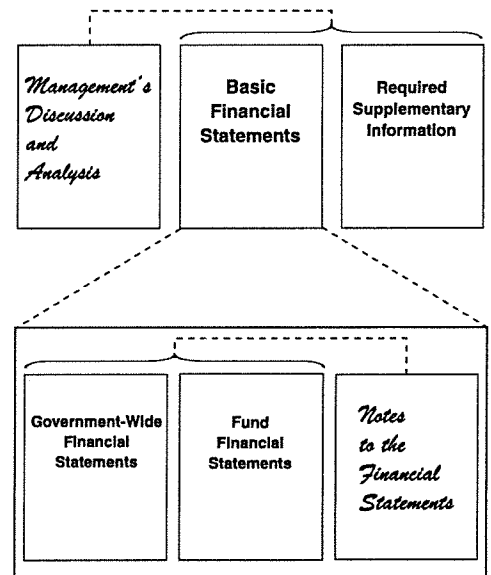
- The City's total combined net position was \$1,254.3 thousand at September 30, 2023.
- During the year, the City's expenses were \$158.1 thousand which were \$388.3 thousand less than the \$546.4 thousand generated in taxes, grants and other revenues for governmental and business-type activities.
- The General Fund reported a fund balance this year of \$432.5 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general administration, public safety, streets and bridges, buildings and grounds, and financial and professional. Property, sales and franchise taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$1,254.3 thousand at September 30, 2023. (See Table A-1).

Table A-1
City's Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current Assets:						
Cash and Cash Equivalents	\$ 214.7	\$ 164.7	\$ -	\$ -	\$ 214.7	\$ 164.7
Investments	298.0	265.7	-	-	298.0	265.7
Receivables, Net	21.4	68.6	-	-	21.4	68.6
Internal Balances	5.0	5.0	(5.0)	(5.0)	-	-
Total Current Assets:	<u>539.1</u>	<u>504.0</u>	<u>(5.0)</u>	<u>(5.0)</u>	<u>534.1</u>	<u>499.0</u>
Restricted Cash	-	-	10,426.5	1,772.8	10,426.5	1,772.8
Capital Assets:						
Land	-	-	92.0	92.0	92.0	92.0
Construction in Progress	47.0	47.0	681.0	275.5	728.0	322.5
Total Non-Current Assets	<u>47.0</u>	<u>47.0</u>	<u>11,199.5</u>	<u>2,140.3</u>	<u>11,246.5</u>	<u>2,187.3</u>
Total Assets	<u>586.1</u>	<u>551.0</u>	<u>11,194.5</u>	<u>2,135.3</u>	<u>11,780.6</u>	<u>2,686.3</u>
Liabilities:						
Accounts Payable and						
Other Current Liabilities	3.3	47.2	83.2	-	86.5	47.2
Unearned Revenue	-	13.6	6,528.8	1,196.5	6,528.8	1,210.1
Noncurrent Liabilities						
Due Within One Year	-	-	5.0	5.0	5.0	5.0
Due in More than One Year	-	-	3,906.0	558.0	3,906.0	558.0
Total Liabilities	<u>3.3</u>	<u>60.8</u>	<u>10,523.0</u>	<u>1,759.5</u>	<u>10,526.3</u>	<u>1,820.3</u>
Net Position:						
Invested in Capital Assets	47.0	47.0	740.4	325.0	787.4	372.0
Restricted For:						
Debt	1.0	-	-	-	1.0	-
Road Maintenance	99.3	83.2	-	-	99.3	83.2
Unrestricted	435.5	360.0	(68.9)	50.8	366.6	410.8
Total Net Position	<u>\$ 582.8</u>	<u>\$ 490.2</u>	<u>\$ 671.5</u>	<u>\$ 375.8</u>	<u>\$ 1,254.3</u>	<u>\$ 866.0</u>

Changes in net position. The City's total revenues were \$546.4 thousand and total expenses were \$158.1 thousand, which resulted in an increase of net position of \$388.3 thousand (See Table A-2).

Table A-2
Changes in City's Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Grants	-	60.4	405.5	-	405.5	60.4
General Revenues:						
Property Taxes	28.4	19.5	-	-	28.4	19.5
Sales Taxes	85.6	64.7	-	-	85.6	64.7
Franchise Taxes	9.2	9.0	-	-	9.2	9.0
Investment Income	2.3	0.7	-	0.1	2.3	0.8
Grant Revenue	13.6	-	-	46.9	13.6	46.9
Miscellaneous Income	1.8	0.3	-	-	1.8	0.3
Total Revenues:	<u>140.9</u>	<u>154.6</u>	<u>405.5</u>	<u>47.0</u>	<u>546.4</u>	<u>201.6</u>
Program Expenses:						
General Government	42.3	42.0	-	-	42.3	42.0
Highways and Streets	1.0	6.8	-	-	1.0	6.8
Sewer	-	-	114.8	1.0	114.8	1.0
Total Program Expenses	<u>43.3</u>	<u>48.8</u>	<u>114.8</u>	<u>1.0</u>	<u>158.1</u>	<u>49.8</u>
Transfers	(5.0)	-	5.0	-	-	-
Change in Net Position	92.6	105.8	295.7	46.0	388.3	151.8
Net Position, Beginning	490.2	384.4	375.8	329.8	866.0	714.2
Net Position, Ending	<u>\$ 582.8</u>	<u>\$ 490.2</u>	<u>\$ 671.5</u>	<u>\$ 375.8</u>	<u>\$ 1,254.3</u>	<u>\$ 866.0</u>

Capital Assets

At the end of 2023, the City has invested \$773.0 thousand in the preliminary design and purchase of land for a sewer plant (See Table A-3). Funding from the TWDB for the \$11,002.0 thousand project was approved in 2021. The construction of the sewer plant is expected to begin in 2024 and be completed in 2026. Also, in 2023, the City received CBDG grant funds to continue a drainage improvement project which is expected to be completed in 2025.

Table A-3
Capital Assets
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ -	\$ -	\$ 92.0	\$ 92.0	\$ 92.0	\$ 92.0
Construction in Progress	47.0	47.0	681.0	275.5	728.0	322.5
Totals at Historical Cost	<u>47.0</u>	<u>47.0</u>	<u>773.0</u>	<u>367.5</u>	<u>820.0</u>	<u>414.5</u>
Total Accumulated Depreciation	-	-	-	-	-	-
Net Capital Assets	<u>\$ 47.0</u>	<u>\$ 47.0</u>	<u>\$ 773.0</u>	<u>\$ 367.5</u>	<u>\$ 820.0</u>	<u>\$ 414.5</u>

Long-term Debt

At year-end, the City had \$3,911 thousand in certificates of obligation as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements.

Enterprise Activities:	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within
					One Year
Certificates of Obligation	\$ 563,000	\$ 3,353,000	\$ 5,000	\$ 3,911,000	\$ 5,000
Total Enterprise Activities	<u>\$ 563,000</u>	<u>\$ 3,353,000</u>	<u>\$ 5,000</u>	<u>\$ 3,911,000</u>	<u>\$ 5,000</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget in the General Fund. Actual expenditures were \$1.8 thousand less than final budget amounts and revenues were \$45.0 thousand more than budgeted. The net increase to fund balance was \$79.0 thousand during the 2023 fiscal year. The largest positive variance was in sales and use taxes which were \$18.5 thousand higher than budgeted due to unanticipated economic growth in the area.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenues are projected to increase 16% from the prior year or by \$12.0 thousand. The largest increase is in sales and use taxes, to be more in line with actual past sales tax receipts. Budgeted expenditures are projected to increase by \$20.8 thousand, primarily due to anticipated increases in wages of \$4.8 thousand and an increase in road maintenance expenditures of \$12.0 thousand. If budgetary projections in the current budget are met, the fund balance in the general fund should increase by \$25.1 thousand.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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CITY OF IOLA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 214,694	\$ 20,000	\$ 234,694
Investments	298,002	--	298,002
Taxes Receivable			
Property Taxes	3,376	--	3,376
Sales Taxes	14,746	--	14,746
Accounts Receivable	333	--	333
Internal Balances	5,000	(5,000)	--
Restricted Cash			
Required Reserve for Debt Service	--	143,030	143,030
Project Escrow Accounts	--	10,263,531	10,263,531
Capital Assets (net of accumulated depreciation):			
Land	--	92,026	92,026
Construction in Progress	47,013	680,956	727,969
Total Assets	<u>583,164</u>	<u>11,194,543</u>	<u>11,777,707</u>
LIABILITIES:			
Accounts Payable and Other Current Liabilities	--	83,200	83,200
Payroll Tax Liabilities	337	--	337
Unearned Revenue	--	6,528,844	6,528,844
Noncurrent Liabilities-			
Due Within One Year	--	5,000	5,000
Due in More Than One Year	--	3,906,000	3,906,000
Total Liabilities	<u>337</u>	<u>10,523,044</u>	<u>10,523,381</u>
NET POSITION:			
Net Investment in Capital Assets	47,013	518,469	565,482
Restricted For:			
Debt Service	951	--	951
Road Maintenance	99,319	--	99,319
Unrestricted	435,544	153,030	588,574
Total Net Position	<u>\$ 582,827</u>	<u>\$ 671,499</u>	<u>\$ 1,254,326</u>

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues	
		Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
General Government	\$ 42,264	\$ 13,596	\$ --
Highways and Streets	991	--	--
Total Governmental Activities	<u>43,255</u>	<u>13,596</u>	<u>--</u>
Business-type Activities:			
Sewer	114,790	--	405,475
Total Business-type Activities	<u>114,790</u>	<u>--</u>	<u>405,475</u>
Total Primary Government	<u>\$ 158,045</u>	<u>\$ 13,596</u>	<u>\$ 405,475</u>

General Revenues:
 Property Taxes
 Sales Taxes
 Franchise Taxes
 Unrestricted Investment Earnings
 Miscellaneous Revenue
 Transfers
 Total General Revenues and Transfers
 Change in Net Position
 Net Position - Beginning
 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (28,668)		\$ (28,668)
(991)		(991)
<u>(29,659)</u>		<u>(29,659)</u>
--	\$ 290,685	290,685
--	290,685	290,685
<u>(29,659)</u>	<u>290,685</u>	<u>261,026</u>
28,434	--	28,434
85,594	--	85,594
9,191	--	9,191
2,287	68	2,355
1,764	--	1,764
(5,000)	5,000	--
<u>122,270</u>	<u>5,068</u>	<u>127,338</u>
92,611	295,753	388,364
490,216	375,746	865,962
<u>\$ 582,827</u>	<u>\$ 671,499</u>	<u>\$ 1,254,326</u>

CITY OF IOLA, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 117,737	\$ 96,957	\$ 214,694
Investments	298,002	--	298,002
Property Taxes Receivable	3,012	364	3,376
Sales Tax Receivable	11,797	2,949	14,746
Accounts Receivable	333	--	333
Due from Other Funds	5,000	--	5,000
Total Assets	<u>\$ 435,881</u>	<u>\$ 100,270</u>	<u>\$ 536,151</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Payroll Tax Liabilities	\$ 337	\$ --	\$ 337
Total Liabilities	<u>337</u>	<u>--</u>	<u>337</u>
Deferred Inflows of Resources:			
Deferred Inflows - Property Taxes	3,012	364	3,376
Total Deferred Inflows of Resources	<u>3,012</u>	<u>364</u>	<u>3,376</u>
Fund Balances:			
Restricted:			
Restricted for Road Maintenance	--	99,319	99,319
Restricted for Debt Service	--	587	587
Unassigned	432,532	--	432,532
Unassigned, reported in nonmajor:			
Total Fund Balances	<u>432,532</u>	<u>99,906</u>	<u>532,438</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 435,881</u>	 <u>\$ 100,270</u>	 <u>\$ 536,151</u>

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	\$ 532,438
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	47,013
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>3,376</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 582,827</u>

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
Taxes:			
Property Taxes	\$ 25,919	\$ 5,587	\$ 31,506
Sales and Use Taxes	68,475	17,119	85,594
Franchise Taxes	9,191	--	9,191
Investment Earnings	2,287	--	2,287
Grants	13,596	--	13,596
Contributions and Donations	1,764	--	1,764
Total Revenues	<u>121,232</u>	<u>22,706</u>	<u>143,938</u>
Expenditures:			
Current:			
General Government	42,264	--	42,264
Highways and Streets	--	991	991
Total Expenditures	<u>42,264</u>	<u>991</u>	<u>43,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>78,968</u>	<u>21,715</u>	<u>100,683</u>
Other Financing Sources (Uses):			
Transfers Out	--	(5,000)	(5,000)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net Change in Fund Balances	78,968	16,715	95,683
Fund Balances - Beginning	353,564	83,191	436,755
Fund Balances - Ending	<u>\$ 432,532</u>	<u>\$ 99,906</u>	<u>\$ 532,438</u>

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXAS

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

Net change in fund balances - total governmental funds	\$	95,683
Amounts reported for governmental activities in the Statement of Activities are different because:		
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		<u>(3,072)</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>92,611</u>

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXAS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2023

	Enterprise Fund
	Sewer Fund
ASSETS:	
Current Assets:	
Total Current Assets	\$ --
Noncurrent Assets:	
Restricted Cash	
I&S Debt Service	20,000
Required Reserve for Debt	143,030
Project Escrow Accounts	10,263,531
Capital Assets:	
Land	92,026
Construction in Progress	680,956
Total Noncurrent Assets	11,199,543
Total Assets	\$ 11,199,543
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 83,200
Due To Other Funds	5,000
Unearned Revenue	6,528,844
Certificates of Obligation Payable - Current	5,000
Total Current Liabilities	6,622,044
Current Liabilities Payable from Restricted Assets-	
Noncurrent Liabilities:	
Certificates of Obligation Payable	3,906,000
Total Noncurrent Liabilities	3,906,000
Total Liabilities	10,528,044
NET POSITION:	
Investment in Capital Assets, Net of Related Debt	518,469
Unrestricted	153,030
Total Net Position	\$ 671,499

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Fund
	Sewer Fund
OPERATING REVENUES:	
Total Operating Revenues	\$ --
OPERATING EXPENSES:	
Purchased Professional and Technical Services	1,000
Bank Charges	1,634
Total Operating Expenses	2,634
Net Operating Income (Expense)	(2,634)
NON-OPERATING REVENUES (EXPENSES):	
Intergovernmental Revenue	405,475
Interest Revenue	68
Bond Issuance Costs	(112,156)
Total Non-operating Revenues (Expenses)	293,387
Income before Transfers	290,753
Interfund Transfers In	5,000
Interfund Transfers Out	--
Change in Net Position	295,753
Total Net Position - Beginning	375,746
Total Net Position - Ending	\$ 671,499

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Fund Sewer Fund
Cash Flows from Operating Activities:	
Payments for Services	\$ 2,628
Net Cash Provided (Used) by Operating Activities	<u>2,628</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	5,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>5,000</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Long-term Debt	3,240,837
Proceeds from Issuance of Principal Forgiveness Loan	5,737,800
Principal and Interest Paid	(5,000)
Acquisition or Construction of Capital Assets	(322,375)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>8,651,262</u>
Cash Flows from Investing Activities	
Interest and Dividends on Investments	68
Net Cash Provided (Used) for Investing Activities	<u>68</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,653,802
Cash and Cash Equivalents at Beginning of Year	1,772,759
Cash and Cash Equivalents at End of Year	<u>\$ 10,426,561</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (2,628)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	--
Change in Assets and Liabilities:	
Increase (Decrease) in Interfund Payables	--
Total Adjustments	--
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,628)</u>

The accompanying notes are an integral part of this statement.

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

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 double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 different 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 taxes, are presented as general revenues.

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Special Revenue Fund. This is the City's CDBG disaster relief fund for Hurricane Harvey. It accounts for the grant revenues from the Community Development Block Grant (CDBG) and the related expenditures for drainage improvements for the City.

Sewer Fund. This fund accounts for the charges for providing residents with sewer service (in construction phase currently).

b. **Measurement Focus, Basis of Accounting**

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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.

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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. 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

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

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

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 value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	3-15
Furniture and Equipment	5-10
Computer Equipment	3-15

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 year end.

f. 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.

g. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position) and governmental funds balance sheet will sometimes report a separate section for deferred inflows and outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's Board of Aldermen. Committed amounts cannot be used for any other purpose unless the Board of Aldermen removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Aldermen. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Aldermen or by an official or body to which the Board of Aldermen delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Net Position Flow Assumption

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

j. Fund Balance Flow Assumptions

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

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

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>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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.

Cash Deposits

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$675,723 and the bank balance was \$676,525. The City's cash deposits at September 30, 2023 and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Restricted Cash

The City has approval from TWDB for \$11.0 million in funding to construct a wastewater treatment plant. The funding is in four phases. All four phases have now been funded by TWDB. The funds below are being held in separate restricted escrow bank accounts until qualifying expenditures have been made and approval is given by TWDB to release funds to pay vendors.

At September 30, 2023, the City has these funds in restricted escrow bank accounts:

Restricted Cash - Wastewater Fund	2023	2022
Cash from 0% Loan - 2020	\$ 520,449	\$ 520,449
Cash from 0% Loan - 2023	3,131,039	--
Cash from Loan Forgiveness - 2020	874,243	1,196,520
Cash from Loan Forgiveness - 2023	5,737,800	--
Total	<u>\$ 10,263,531</u>	<u>\$ 1,716,969</u>

Also in restricted cash are two bank accounts required by TWDB as a reserve for outstanding debt and for funding the interest and sinking payment.

	Required By TWDB	Funded By City	Over/(Under) Funded
Five Year Debt Service Requirement	\$ 20,000	\$ 20,000	\$ --
Reserve Requirement	122,219	143,030	20,811
Total	<u>\$ 142,219</u>	<u>\$ 163,030</u>	<u>\$ 20,811</u>

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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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 general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2023 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	8/16/2024	\$ 50,301
Certificate of Deposit	5/21/2024	10,686
Certificate of Deposit	5/21/2024	52,866
Certificate of Deposit	9/21/2024	52,468
Certificate of Deposit	3/23/2024	51,205
Certificate of Deposit	10/19/2024	50,476
Certificate of Deposit	7/31/2024	30,000
Total Investments		<u>\$ 298,002</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a 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 rating 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 IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Fair Value Measurement

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City currently has no investments that require fair value measurement.

D. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ --	\$ --	\$ --	\$ --
Construction in progress	47,013	--	--	47,013
Total capital assets not being depreciated	<u>47,013</u>	<u>--</u>	<u>--</u>	<u>47,013</u>
Governmental activities capital assets, net	<u>\$ 47,013</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 47,013</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 92,026	\$ --	\$ --	\$ 92,026
Construction in progress	275,477	405,479	--	680,956
Total capital assets not being depreciated	<u>367,503</u>	<u>405,479</u>	<u>--</u>	<u>772,982</u>
Business-type activities capital assets, net	<u>\$ 367,503</u>	<u>\$ 405,479</u>	<u>\$ --</u>	<u>\$ 772,982</u>

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2023, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Enterprise Fund	\$ 5,000	Short-term loan for debt payment.
	Total	\$ <u>5,000</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2023, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Debt Service Fund	Enterprise fund	\$ 5,000	Provide resources for repayment of certificates of obligation
	Total	\$ <u>5,000</u>	

F. Unearned Revenue

Deferred revenue is revenue (usually from grants) that has been received by the City but has not yet been spent so the revenue is considered unearned until the time that qualified expenditures are made. As of September 30, 2023, the City classified these amounts as unearned revenue.

Components of Unearned Revenue - Sewer Fund:

Balance of 2020 Principal Forgiveness Loan	\$ 874,241
Balance of 2022 Principal Forgiveness Loan	5,737,800
Expenses Accrued But Not Paid at Year End	(83,200)
Unearned Revenue at September 30, 2023	\$ <u>6,528,841</u>

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-type activities:</u>					
Certificates of Obligation	\$ 563,000	\$ 3,353,000	\$ 5,000	\$ 3,911,000	\$ 5,000
Total Business-type Activities	\$ <u>563,000</u>	\$ <u>3,353,000</u>	\$ <u>5,000</u>	\$ <u>3,911,000</u>	\$ <u>5,000</u>

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2023, are as follows:

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2024	\$ 5,000	\$ --	\$ 5,000
2025	15,000	--	15,000
2026	50,000	--	50,000
2027	80,000	--	80,000
2028	105,000	--	105,000
2029-2033	615,000	--	615,000
2034-2038	675,000	--	675,000
2039-2043	685,000	--	685,000
2044-2048	732,000	--	732,000
2049-2053	681,000	--	681,000
2054-2055	268,000	--	268,000
Totals	<u>\$ 3,911,000</u>	<u>\$ --</u>	<u>\$ 3,911,000</u>

The City issued Combination Tax and Revenue Certificates, Series 2020 and 2022, in the amount of \$3,911,000. The proceeds will be used to construct a sewer system for the City. The Certificates both have a 0% interest rate.

Combination Tax and Revenue Certificates, Series 2020	\$ 558,000
Combination Tax and Revenue Certificates, Series 2022	3,353,000
Balance at 9-30-23	<u>\$ 3,911,000</u>

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Commitments and Contingencies

1. Contingencies

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

CITY OF IOLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

2. Litigation

No reportable litigation was pending against the City at September 30, 2023.

J. Subsequent Events

The City evaluated subsequent events through March 18, 2024, which is the date through which the financial statements were available to be issued. The City did not identify any events that require recording or disclosure in the financial statements for the year ended September 30, 2023.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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CITY OF IOLA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Revenue:	Budgeted Amounts			Actual
	Original	Final		
Taxes:				
Property Taxes	\$ 18,000	\$ 18,000	\$ 25,919	
Sales and Use Taxes	50,000	50,000	68,475	
Franchise Taxes	8,206	8,206	9,191	
Investment Earnings	--	--	2,287	
Grants	--	--	13,596	
Contributions and Donations	--	--	1,764	
Total Revenues	76,206	76,206	121,232	
Expenditures:				
Current:				
General Government	44,104	44,104	42,264	
Total Expenditures	44,104	44,104	42,264	
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,102	32,102	78,968	
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	--	--	--	
Net Change in Fund Balances	32,102	32,102	78,968	
Fund Balances - Beginning	353,564	353,564	353,564	
Fund Balances - Ending	\$ 385,666	\$ 385,666	\$ 432,532	

Variance with Final Budget Positive (Negative)

3

2

1

Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board of Aldermen is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.

c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Aldermen. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Aldermen and are not made after fiscal year end. During the year, the budget was amended. All budget appropriations lapse at year end.

*Combining Statements and Budget
Comparisons as Supplementary
Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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CITY OF IOLA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Nonmajor Governmental Funds (See Exhibit A-3)	Debt Service Fund	Special Revenue Funds	Total
ASSETS:				
Cash and Cash Equivalents	\$ 96,957	\$ 587	\$ 96,370	\$ 193,914
Property Taxes Receivable	364	364	--	728
Sales Tax Receivable	2,949	--	2,949	5,898
Total Assets	\$ 100,270	\$ 951	\$ 99,319	\$ 199,540
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Deferred Inflows of Resources:				
Deferred Inflows - Property Taxes	\$ 364	\$ 364	--	\$ 728
Total Deferred Inflows of Resources	\$ 364	\$ 364	--	\$ 728
Fund Balances:				
Restricted:				
Restricted for Road Maintenance	99,319	--	99,319	198,638
Restricted for Debt Service	587	587	--	1,174
Unassigned, reported in nonmajor:				
Total Fund Balances	99,906	587	99,319	199,812
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 100,270	\$ 951	\$ 99,319	\$ 199,540

CITY OF IOLA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Revenue:	Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds (See Exhibit A-5)
Taxes:			
Property Taxes	\$ --	\$ 5,587	\$ 5,587
Sales and Use Taxes	17,119	--	17,119
Total Revenues	<u>17,119</u>	<u>5,587</u>	<u>22,706</u>
Expenditures:			
Current:			
Highways and Streets	991	--	991
Total Expenditures	<u>991</u>	<u>--</u>	<u>991</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,128	5,587	21,715
Other Financing Sources (Uses):			
Transfers Out	--	(5,000)	(5,000)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net Change in Fund Balances	16,128	587	16,715
Fund Balances - Beginning	83,191	--	83,191
Fund Balances - Ending	<u>\$ 99,319</u>	<u>\$ 587</u>	<u>\$ 99,906</u>