

CITY OF PATTISON, TEXAS
Financial Statements
with
Report of Independent Auditor
September 30, 2023

TABLE OF CONTENTS

<u>Introductory Section</u>	<u>Page</u>
Title page	
Table of Contents	
<u>Financial Section</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	14
Notes to the Basic Financial Statements	15

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Pattison, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of the City of Pattison, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Pattison, Texas, as of September 30, 2023, and the respective changes in financial position and, the respective budgetary comparison for the General Fund 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 (GAAS). 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 Pattison, 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

City of Pattison, Texas's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 8 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.

A handwritten signature in black ink, reading "Seidel Schmeck". The signature is written in a cursive style with a large initial 'S'.

Brenham, Texas
April 17, 2024

CITY OF PATTISON
P.O. Box 223
Pattison, Texas 77466

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial activities of the City of Pattison for the year ended September 30, 2023. The information presented herein should be considered in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This report has been prepared under the reporting guidelines mandated by the Governmental Accounting Standards Board Statement 34 and consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are statements required under GASB 34 and provide information about the activities of the City as a whole and present a longer-term view of the city's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements report the City's operations in more detail than the government wide statements by providing information about the City's most significant funds.

Financial Highlights

- The assets of the City at the close of the most recent fiscal year were \$1,644,943.
- The City's total net position decreased by \$7,200.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$753,696.

Overview of the Financial Statements

The annual report consists of four parts - Independent Auditors Report, Management Discussion and Analysis, Basic Financial Statements and Fund Financial Statements.

- The first two statements are Statements of Net Position and Statements of Activities.
- The remaining statements are fund financial statements that include governmental funds.
- The governmental funds statements tell how general government services were funded and what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more details.

Reporting the City as a Whole

The accompanying **Government Wide Financial Statements** include two statements that present financial data for the city as a whole. The Statement of Activities reports information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All the current years' 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 liabilities and changes in them. The difference between the City's assets and liabilities are one way to measure the City's financial position. Other indicators need to be taken into account such as the sales tax base, to assess the overall health of the city.

Since the City has only governmental activities, the Statement of Net Position and the Statement of Activities only report these activities:

- Governmental Activities - All of the City's basic services such as streets and roads and parks, are reported here. Sales tax, franchise fees and investment income finance these activities.

Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the City's individual funds-not the City as a whole. Some funds are required to be established by State Law. However, City Council can establish other funds to help control and manage money for particular purposes. The City has one kind of fund - governmental.

- Governmental funds - All 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. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides.

Government-Wide Financial Statements

	<u>9/30/2023</u>	<u>9/30/2022</u>
Current & Other Assets	\$1,122,720	\$994,494
Capital Assets	522,223	527,298
Total Assets	<u>1,644,943</u>	<u>1,521,792</u>
Current liabilities	105,476	22,291
Unearned revenues	263,548	216,382
Total Liabilities	<u>369,024</u>	<u>238,673</u>
Net investment in Capital Assets	522,223	527,298
Unrestricted Net Position	753,696	755,821
Total Net Position	<u>\$ 1,275,919</u>	<u>\$1,283,119</u>
	<u>9/30/2023</u>	<u>9/30/2022</u>
Revenue:		
Program Revenues:		
Charges for services	\$ 3,637	\$ 17,763
Operating grants and contributions	346,665	43,324
General revenues:		
Sales tax	236,753	233,534
Franchise tax	45,951	44,713
Investment income	5,223	3,601
Other income	3,283	11,739
Total revenues	<u>641,512</u>	<u>354,674</u>
Expenses:		
General government	213,878	241,077
Culture and recreation	3,346	533
Highways and streets	63,220	48,961
Public safety	281	-
Health and welfare	367,986	-
Total expenses	<u>648,711</u>	<u>290,571</u>
Change in net position	(7,200)	64,102
Net position, beginning	1,283,119	1,219,017
Net position, ending	<u>\$ 1,275,919</u>	<u>\$ 1,283,119</u>

The significant variances between 2023 and 2022 are as follows:

- Current assets increased by \$128,226 primarily due to an increase in cash from revenues and additional grant funding received during 2023 compared to 2022.
- Capital assets decreased by \$5,075 primarily due to assets having a full year of depreciation in 2023.
- Total liabilities increased by \$130,351 due to payables at year end for the grant project.
- Revenue increased by \$286,838 primarily driven by a new grant received in the 2023.
- Expenses increased by \$358,140 due to an increase in health and welfare expenses. The City used grant revenues to pay for a capital project in 2023 that was contributed to Pattison Water Supply.

Major Funds

The City uses fund accounting to provide proper financial management of the city's resources and to demonstrate compliance with finance related legal requirements.

Major Governmental Funds. The **General fund** is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$753,696.

General Fund Budget

Significant variations between budget and actual for 2023 are summarized as follows:

- Total general fund revenues were \$28,242 less than budgeted.
 - Other income were \$47,077 less than budgeted due to professional development income being less than expected.
- Total expenditures were \$23,760 more than budgeted.
 - Capital outlay was \$24,855 more than budgeted due to the capitalization of a new asphalt on a road.
 - Contribution of infrastructure was \$88,252 more than budgeted due to more grant capital projects occurring than budgeted for.

Capital Assets, net

	Governmental Activities	
	2023	2022
Land	\$ 59,322	\$ 59,322
Construction in progress	31,028	12,127
Building and improvements	43,494	45,485
Infrastructure	388,379	410,364
Total	<u>\$ 522,223</u>	<u>\$ 527,298</u>

The City's capital assets are primarily comprised of the City Hall and infrastructure.

This year's major additions, acquired using general funds, included:

- Improvements to City Hall \$18,901
- Avenue G improvements 30,954

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 a question about this report or need additional information, contact City of Pattison, P.O. Box 223, Pattison, Texas 77466.

CITY OF PATTISON, TEXAS
Statement of Net Position
September 30, 2023

	<u>Governmental Activities</u>
 ASSETS	
Cash and cash equivalents	\$ 1,000,143
Sales tax receivable	36,919
Grant receivable	79,728
Other receivable	5,930
Capital assets not being depreciated	90,350
Capital assets net of accumulated depreciation	<u>431,873</u>
Total assets	<u>1,644,943</u>
 LIABILITIES	
Accounts payable and accrued expenses	\$ 105,476
Unearned revenues	<u>263,548</u>
Total liabilities	<u>369,024</u>
 NET POSITION	
Net investment in capital assets	522,223
Unrestricted	<u>753,696</u>
Total net position	<u><u>\$ 1,275,919</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PATTISON, TEXAS
Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 213,878	\$ 3,637	\$ -	\$ -	\$ (210,241)
Culture and recreation	3,346	-	-	-	(3,346)
Highways and streets	63,220	-	-	-	(63,220)
Public safety	281	-	-	-	(281)
Health and welfare	367,986	-	346,665	-	(21,321)
Total governmental activities	<u>\$ 648,711</u>	<u>\$ 3,637</u>	<u>\$ 346,665</u>	<u>\$ -</u>	<u>\$ (298,410)</u>
General revenues					
Taxes					
Sales tax					236,753
Franchise tax					45,951
Investment income					5,223
Other income					3,283
Total general revenue					<u>291,210</u>
Change in net position					(7,200)
Net position, beginning					<u>1,283,119</u>
Net position, ending					<u>\$ 1,275,919</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PATTISON, TEXAS
 Governmental Funds
 Balance Sheet
 September 30, 2023

		<u>General Fund</u>
ASSETS		
Cash and cash equivalents	\$	1,000,143
Sales tax receivable		36,919
Grant receivable		79,728
Other receivable		<u>5,930</u>
Total assets	\$	<u><u>1,122,720</u></u>
 LIABILITIES		
Accounts payable and accrued expenses	\$	105,476
Unearned revenues		<u>263,548</u>
Total liabilities		<u>369,024</u>
 Fund balance		
Unassigned		<u>753,696</u>
Total fund balances		<u>753,696</u>
 Total liabilities and fund balances	 \$	 <u><u>1,122,720</u></u>
 Reconciliation of the balance sheet to the statement of net position:		
Fund balances of governmental funds	\$	753,696
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	772,605	
Less accumulated depreciation	<u>(250,382)</u>	<u>522,223</u>
Net Position of Governmental Activities	\$	<u><u>1,275,919</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PATTISON, TEXAS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2023

	<u>General Fund</u>
Revenues	
Taxes	
Sales tax	\$ 236,753
Franchise tax	45,951
Permits	3,637
Investment income	5,223
Grants and contributions	346,665
Other income	3,283
Total revenues	<u>641,512</u>
Expenditures	
Current:	
General government	
Salaries and benefits	70,604
Repairs and maintenance	36,839
Professional fees	62,964
Utilities and telephone	7,593
Office expenses	19,473
Education	4,628
Insurance	1,947
Dues and subscriptions	7,617
Other expenses	222
Total general government	<u>211,887</u>
Culture and recreation	
Community events	2,813
Total culture and recreation	<u>2,813</u>
Highways and streets	
Repairs and maintenance	10,814
Total highway and streets	<u>10,814</u>
Public safety	
Pattison Area Volunteer Fire Department	281
Total public safety	<u>281</u>
Health and welfare	
Contribution of infrastructure to Pattison Water Supply	354,540
Animal control	5,000
Trash pickup/hazardous waste	8,446
Total health and welfare	<u>367,986</u>
Total current expenditures	<u>593,781</u>
Capital outlay	<u>49,855</u>
Total expenditures	<u>643,636</u>
Net change in fund balances	(2,124)
Fund Balance, Beginning	<u>755,821</u>
Fund Balance, Ending	<u>\$ 753,697</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PATTISON, TEXAS
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended September 30, 2023

Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of changes in net position:

Net change in fund balances - total governmental funds	\$	(2,124)
--	----	---------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of these assets are depreciated over their estimated useful lives:

Expenditures for capital assets	\$	49,854	
Depreciation of capital assets		<u>(54,930)</u>	<u>(5,076)</u>
Change in net position, governmental activities	\$		<u><u>(7,200)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PATTISON, TEXAS
General Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 210,000	\$ 240,084	\$ 236,753	\$ (3,331)
Franchise tax	50,000	50,000	45,951	(4,049)
Permit	19,000	5,000	3,637	(1,363)
Investment income	2,500	5,300	5,223	(77)
Grants and contributions	76,000	319,010	346,665	27,655
Other income	-	50,360	3,283	(47,077)
Total revenues	<u>357,500</u>	<u>669,754</u>	<u>641,512</u>	<u>(28,242)</u>
Expenditures				
Current:				
General government				
Salaries and benefits	75,000	75,000	70,604	(4,396)
Repairs and maintenance	56,500	57,500	36,839	(20,661)
Professional fees	79,500	77,000	62,964	(14,036)
Utilities and phone	9,000	10,700	7,593	(3,107)
Office expenses	29,500	26,500	19,473	(7,027)
Education	4,000	5,000	4,628	(372)
Insurance	2,500	2,000	1,947	(53)
Dues and subscriptions	5,500	9,800	7,617	(2,183)
Other expenses	28,200	4,725	222	(4,503)
Total general government	<u>289,700</u>	<u>268,225</u>	<u>211,887</u>	<u>(56,338)</u>
Culture and recreation				
Community events	8,500	5,000	2,813	(2,187)
Total culture and recreation	<u>8,500</u>	<u>5,000</u>	<u>2,813</u>	<u>(2,187)</u>
Highways and streets				
Repairs and maintenance	40,000	42,000	10,814	(31,186)
Total highways and streets	<u>40,000</u>	<u>42,000</u>	<u>10,814</u>	<u>(31,186)</u>
Public safety				
Pattison Area Volunteer Fire Department	1,000	1,000	281	(719)
Total public safety	<u>1,000</u>	<u>1,000</u>	<u>281</u>	<u>(719)</u>
Health and welfare				
Contribution of infrastructure	-	266,288	354,540	88,252
Animal control	5,000	5,000	5,000	-
Trash pickup/hazardous waste	13,300	7,364	8,446	1,082
Total public safety	<u>18,300</u>	<u>278,652</u>	<u>367,986</u>	<u>89,334</u>
Total current expenditures	<u>357,500</u>	<u>594,877</u>	<u>593,781</u>	<u>(1,096)</u>
Capital outlay	130,000	25,000	49,855	24,855
Total expenditures	<u>487,500</u>	<u>619,876</u>	<u>643,636</u>	<u>23,760</u>
Net change in fund balance	(130,000)	49,878	(2,124)	(52,002)
Fund Balance, Beginning	755,821	755,821	755,821	-
Fund Balance, Ending	<u>\$ 625,821</u>	<u>\$ 805,699</u>	<u>\$ 753,697</u>	<u>\$ (52,002)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

1. Summary of significant accounting policies

The accompanying financial statements include all funds of the City of Pattison, Texas. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The City was incorporated under the laws of the State of Texas in 1972. The City is a general law city governed by an elected five-member council and mayor. As required by generally accepted accounting principles, these financial statements present the City of Pattison (the primary government).

B. Basis of Presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given program.

Fund financial statements

Fund financial statements of the reporting entity are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

1. Summary of significant accounting policies - cont.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

1. Summary of significant accounting policies - cont.

D. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus.

Government-wide statements

In the government-wide financial statements, capital assets are accounted for as assets and valued at historical cost, except for donated capital assets which are recorded at their estimated fair value at the time of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives for the City's assets is as follows:

Building and improvements	10 to 35 years
Infrastructure	10 to 15 years

When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and the appropriate gain or loss is recognized.

Fund financial statements

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of cash on hand, amounts in demand deposits and amounts held in an active assets government trust account. The State of Texas restricts municipalities to invest in time deposits, U.S. Government Securities, and investment pools managed by the State.

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

1. Summary of significant accounting policies - cont.

F. Fund Equity

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and/or unassigned.

Classification of fund balances

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term receivable net of deferred interest revenue, and nonfinancial assets held for resale.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

1. Summary of significant accounting policies - cont.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

2. Legal Compliance - Budgets

Annually, a budget is adopted for the general fund. The legal level of budgetary control is specific line item groupings. Therefore, a budget amendment is required to increase the appropriations for any line item grouping. All appropriations lapse at fiscal year-end.

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

3. Capital Assets

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

	Balance at September 30, 2022	Additions	Deletions	Balance at September 30, 2023
Non-depreciable:				
Land	\$ 59,322	\$ -	\$ -	\$ 59,322
Construction in progress	12,127	18,901	-	31,028
Total non-depreciable	<u>71,449</u>	<u>18,901</u>	<u>-</u>	<u>90,350</u>
Depreciable:				
Building and improvements	47,198	-	-	47,198
Infrastructure	604,103	30,954	-	635,057
Total depreciable	<u>651,301</u>	<u>30,954</u>	<u>-</u>	<u>682,255</u>
Total Capital Assets	722,750	49,855	-	772,605
Less accumulated depreciation				
Building and improvements	1,713	1,991	-	3,704
Infrastructure	193,739	52,939	-	246,678
Total	<u>195,452</u>	<u>54,930</u>	<u>-</u>	<u>250,382</u>
Capital assets, net	<u>\$ 527,298</u>	<u>\$ (5,075)</u>	<u>\$ -</u>	<u>\$ 522,223</u>

Depreciation expense was charged to governmental functions as follows:

Culture and recreation	\$ 533
General government	1,991
Highways and streets	52,406
Total Governmental Activities	<u>\$ 54,930</u>

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

4. Receivables

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

<u>Components</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Grant receipts	\$ -	\$ 115,220	\$ 115,220
Charges for services not yet earned	-	148,328	148,328
	<u>\$ -</u>	<u>\$ 263,548</u>	<u>\$ 263,548</u>

5. Assessments

During 1973, the City entered into an agreement with CenterPoint Energy Houston Electric, LLC whereby the City grants CenterPoint Energy Houston Electric, LLC the right to conduct business within City limits. In exchange, the City receives franchise fees of \$500 plus 4% of gross receipts for each calendar year through the year 2023.

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool for worker's compensation insurance as well as commercial insurance. The City pays a quarterly premium to the Pool. The Pool is intended to be self-sustaining through member premiums. Claims have not exceeded insurance coverage in any of the past three years.

7. Deposits with Financial Institutions

The City adopted investment policies related to interest rate risk, credit risk, or concentration of credit risk. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposits with financial institutions total \$1,000,143 as of September 30, 2023. Of the City's bank balance of \$1,014,797, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$764,797 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF PATTISON, TEXAS
Notes to Basic Financial Statements
September 30, 2023

8. Commitments and Contingencies

In July 2022, the City entered into an agreement for on-call engineering services for up to \$10,000. As of September 30, 2023, the City had incurred expenses of \$1,828.

9. Related Party Transactions

During the year ended September 30, 2023, the City purchased supplies from a company owned by a member of City Council for approximately \$150. The City also used services from a company owned by a member of City Council for approximately \$7,900.