



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023**

**CITY OF CANEY CITY, TEXAS
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FOR THE YEAR ENDED DECEMBER 31, 2023**

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DAVID K. GODWIN
CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Caney City, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Caney City, Texas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Caney City, Texas, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Caney City, Texas'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 of Caney City, Texas'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 on pages 5 through 14, budgetary comparison information on page 59, and the Texas Municipal Retirement System schedules on pages 60 through 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2024, on our consideration of the City of Caney City, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Caney City, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Caney City, Texas's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is fluid and cursive.

David K. Godwin, CPA, PLLC

Tyler, Texas

November 14, 2024

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Management's Discussion and Analysis

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Management's Discussion and Analysis For Year Ended December 31, 2023 (Unaudited)

The Management Discussion and Analysis of the City of Caney City's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2023. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Mayor and Council

Steve Pine
Mayor

Frank Borden
City Councilmember

Heather Dunton
City Councilmember

Pat Mayfield
City Councilmember

Gloria Lee
City Councilmember

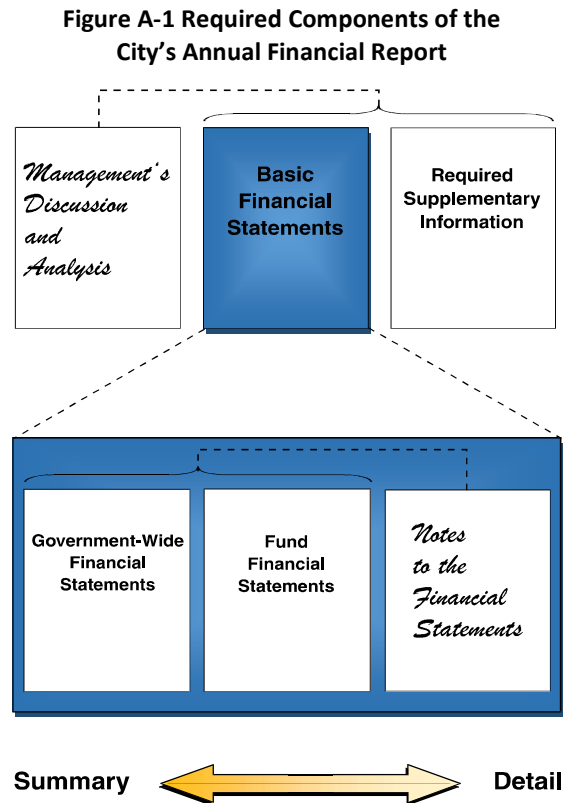
Gwen O'Dell
City Councilmember

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,029,631 (Net Position). Of this amount, \$565,527 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$339,258.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$389,820. Of this amount, \$360,791 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$303,289, or 42.97% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$9,607.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual report consists of a series of financial statements, notes to those statements, and other 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 financial information about the internal service fund used to report activities that provide services to organizations within the City.



The basic financial statements include notes that explain information contained within 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 (above) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (next page) summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2 MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Fund**s
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position
			• Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid
**The City does not currently operate a proprietary fund			

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 of 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 is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, municipal court, public safety, fire and rescue, sanitation, and highways and streets. Taxes, and fines & forfeitures 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 used by the City to track specific sources and uses of funding for specified activities.

- 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 one fund type:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term 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 Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1,029,631 as of December 31, 2023.

The largest portion of the City's net position, 44%, or \$453,233, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements, and infrastructure), less any outstanding debt used in acquiring those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities.

CITY OF CANEY CITY'S NET POSITION

	Governmental Activities	
	2023	2022
Current and Other Assets	\$ 588,410	\$ 608,458
Capital Assets	721,647	415,554
Total Assets	1,310,057	1,024,012
Total Deferred Outflows of Resources	4,168	8,468
Current Liabilities	47,192	63,806
Non-Current Liabilities	230,188	262,090
Total Liabilities	277,380	325,896
Total Deferred Inflows of Resources	7,214	16,211
Net Position:		
Invested in Capital Assets,		
Net of Related Debt	453,233	138,614
Restricted	10,871	10,679
Unrestricted	565,527	541,080
Total Net Position	\$ 1,029,631	\$ 690,373

A portion of net position, \$5,479, is restricted for municipal court security and technology enhancements, in addition to \$2,430 held for retirement of long-term debt and \$2,962 is restricted for public safety. The remaining balance of unrestricted net position, \$565,527, may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2023, the City is able to report positive balances in all three categories of net position for the government as a whole. In the prior fiscal year, the City also reported overall positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had an increase in net position of \$339,258.

Governmental Activities: Net position for the governmental activities increased by \$339,258. Net position invested in capital assets, net of related debt, increased by \$314,619 due to capital asset acquisitions being higher than depreciation expenses and liquidation of long-term debt. The remaining change in net position is due to higher-than-expected grants and contributions.

Total revenues for the governmental activities increased from the previous year by \$73,254, primarily due to higher-than-expected grants and contributions during the current year. General revenue increased \$307,679 during 2023, primarily due to similar activity.

The following table provides a summary of the City's operations for the year ended December 31, 2023.

CITY OF CANEY CITY'S CHANGE IN NET POSITION

	Governmental Activities	
	2023	2022
Revenues:		
Operating Revenues:		
Charges for Services	\$ 40,008	\$ 274,433
General Revenues:		
Taxes	374,911	353,478
Grants and Contributions	356,639	72,444
Miscellaneous	8,770	6,719
Total Revenues	780,328	707,074
Expenses:		
General Government	442,505	542,723
Total Expenses	442,505	542,723
Increase (Decrease) in Total Revenues	337,823	164,351
NONOPERATING REVENUES (EXPENSES)		
Interest Income	1,435	321
Total Non-operating Expense	1,435	321
Change in Net Position	339,258	164,672
Net Position – Beginning	690,373	525,701
Net Position – Ending	\$ 1,029,631	\$ 690,373

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$389,820; of this total amount, \$360,791, constitutes a surplus in unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the general fund, the City's original budget planned for an increase in the fund balance on a budget basis. The City did not pass any budget amendments during the fiscal year ending 2023.

Actual revenues in all categories were higher than the final budgeted amounts by a total of \$256,728. Actual expenditures not including transfers were higher than final budgeted amounts by a total of \$233,943.

After considering operating transfers and other financing sources, the City had a favorable variance of \$58,920 where excess revenue generated a surplus for the general funds unassigned fund balance.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounts to \$453,233 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, vehicles, and construction in progress. The total increase in capital assets for the current fiscal year was \$306,093, or 42.42% and due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2023 included \$339,359 for road improvements.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities	
	2023	2022
Land	\$ 8,000	\$ 8,000
Buildings and improvements	227,322	227,322
Infrastructure	392,799	8,440
Machinery and equipment	76,322	76,322
Vehicles	172,272	172,272
Construction in Progress	-	45,000
Leased equipment	6,338	-
Right-to-use software arrangements	19,797	-
Accumulated Depreciation	(181,203)	(121,802)
Total	<u>\$ 721,647</u>	<u>\$ 415,554</u>

Additional information on the City's capital assets can be found in Note 1 on page 32 and Note 2 on page 38 in the notes of this report.

DEBT ADMINISTRATION

The City had total debt and other long-term liabilities of \$270,296 as of December 31, 2023. At the end of the current fiscal year, the City did not issue additional debt.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	
	2023	2022
Certificates of Obligation	\$ 174,000	\$ 178,400
Notes Payable	75,210	98,540
Net Pension Liability	-	-
Net OPEB Liability	1,882	2,963
Leased equipment	5,532	-
Right-to-use software arrangements	13,672	-
Total	<u>\$ 270,296</u>	<u>\$ 279,903</u>

During the fiscal year, the City's long-term debt decreased by \$9,607, or 3.55%. The decrease was primarily due to the following:

- Annual debt principal payments made on Certificates of Obligation.
- Annual debt principal payments made on notes payable.
- New right-to-use software arrangements.

Additional information on the City's long term-debt can be found in note 2 on pages 39 through 43 in the notes of this report.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Caney City, Attn: City Secretary at 15241 Barron Rd. Caney City, TX 75148.

Basic Financial Statements

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Government-Wide Financial Statements

CITY OF CANEY CITY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	PRIMARY GOVERNMENT	
	GOVERNMENTAL	
	ACTIVITIES	TOTAL
ASSETS		
Cash and cash equivalents	\$ 212,477	\$ 212,477
Investments	153,756	153,756
Receivables (net of allowances):	199,396	199,396
Restricted cash	10,871	10,871
Net pension asset	11,910	11,910
Capital assets:		
Land and other non-depreciated assets	8,000	8,000
Other capital assets - net of depreciation	713,647	713,647
Total Assets	1,310,057	1,310,057
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	4,019	4,019
Deferred outflows from OPEB	149	149
Total Deferred Outflows of Resources	4,168	4,168
LIABILITIES		
Accounts payable and accrued liabilities	7,084	7,084
Long-term liabilities:		
Due within one year	40,108	40,108
Due in more than one year	230,188	230,188
Total Liabilities	277,380	277,380
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	5,520	5,520
Deferred inflows from OPEB	1,694	1,694
Total Deferred Inflows of Resources	7,214	7,214
NET POSITION		
Investment in capital assets, net of related debt	453,233	453,233
Restricted for retirement of long-term debt	2,430	2,430
Restricted for public safety	2,962	2,962
Restricted for court security and technology	5,479	5,479
Unrestricted	565,527	565,527
Total Net Position	\$ 1,029,631	\$ 1,029,631

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

**CITY OF CANEY CITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
Primary government:					
Governmental activities:					
General government	\$ 201,656	\$ 5,562	\$ 332,450	\$ 136,356	\$ 136,356
Municipal court	80,047	34,446	-	(45,601)	(45,601)
Public safety	80,981	-	-	(80,981)	(80,981)
Fire and rescue	62,776	-	24,189	(38,587)	(38,587)
Sanitation	3,179	-	-	(3,179)	(3,179)
Highways and streets	13,866	-	-	(13,866)	(13,866)
Total governmental activities	<u>442,505</u>	<u>40,008</u>	<u>356,639</u>	<u>(45,858)</u>	<u>(45,858)</u>
Total primary government	<u>\$ 442,505</u>	<u>\$ 40,008</u>	<u>\$ 356,639</u>	<u>(45,858)</u>	<u>(45,858)</u>
General revenues:					
Sales taxes				104,946	104,946
Property taxes				249,721	249,721
Franchise taxes				15,994	15,994
Liquor taxes				4,250	4,250
Investment earnings				1,435	1,435
Miscellaneous local and intermediate revenue				8,770	8,770
Total general revenues and transfers				<u>385,116</u>	<u>385,116</u>
Change in net position				339,258	339,258
Net position - beginning				<u>690,373</u>	<u>690,373</u>
Net position - ending				<u>\$ 1,029,631</u>	<u>\$ 1,029,631</u>

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

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Fund Financial Statements

**CITY OF CANEY CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	MAJOR FUNDS	NONMAJOR	TOTAL
	GENERAL	ECONOMIC DEVELOPMENT	GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 154,975	\$ 57,502	\$ 212,477
Investments	153,756	-	153,756
Receivables (net of allowances):			
Sales taxes	19,800	-	19,800
Property taxes	145,106	-	145,106
Fines and forfeitures	34,490	-	34,490
Restricted cash	10,871	-	10,871
	<u>518,998</u>	<u>57,502</u>	<u>576,500</u>
Total assets	<u>\$ 518,998</u>	<u>\$ 57,502</u>	<u>\$ 576,500</u>
LIABILITIES			
Accounts payable	\$ 5,194	\$ -	\$ 5,194
Accrued liabilities	1,890	-	1,890
	<u>7,084</u>	<u>-</u>	<u>7,084</u>
Total liabilities	<u>7,084</u>	<u>-</u>	<u>7,084</u>
DEFERRED INFLOWS (OF RESOURCES)			
Property taxes	145,106	-	145,106
Fines, forfeitures, and warrants	34,490	-	34,490
	<u>179,596</u>	<u>-</u>	<u>179,596</u>
Total deferred inflows	<u>179,596</u>	<u>-</u>	<u>179,596</u>
FUND BALANCES			
Restricted:			
Retirement of long-term debt	2,430	-	2,430
Public safety	2,962	-	2,962
Court security and technology	5,479	-	5,479
Committed:			
Infrastructure	8,119	-	8,119
Assigned:			
Fire and rescue	10,039	-	10,039
Unassigned	303,289	57,502	360,791
	<u>332,318</u>	<u>57,502</u>	<u>389,820</u>
Total fund balances	<u>332,318</u>	<u>57,502</u>	<u>389,820</u>
	<u>518,998</u>	<u>57,502</u>	<u>576,500</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 518,998</u>	<u>\$ 57,502</u>	<u>\$ 576,500</u>

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

CITY OF CANEY CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$ 389,820
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.	721,647
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:	
Net pension asset	11,910
Deferred outflows, related to pension	4,019
Deferred inflows, related to pension	(5,520)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:	
Net OPEB liability	(1,882)
Deferred outflows, related to OPEB	149
Deferred inflows, related to OPEB	(1,694)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.	(268,414)
Outstanding fines, forfeitures and warrants are a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.	34,490
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.	145,106
Net position of governmental activities	\$ 1,029,631

CITY OF CANEY CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	MAJOR FUND	NONMAJOR	TOTAL
	GENERAL	ECONOMIC DEVELOPMENT	GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Sales	\$ 91,828	\$ 13,118	\$ 104,946
Property	232,960	-	232,960
Franchise	15,994	-	15,994
Liquor	4,250	-	4,250
Fines and forfeitures	34,446	-	34,446
Grants and contributions	356,639	-	356,639
Licenses and permits	5,562	-	5,562
Interest income	1,435	-	1,435
Miscellaneous	7,273	1,497	8,770
	<u>750,387</u>	<u>14,615</u>	<u>765,002</u>
Total revenues	<u>750,387</u>	<u>14,615</u>	<u>765,002</u>
EXPENDITURES			
General government	200,124	2,234	202,358
Municipal court	3,021	-	3,021
Public safety	47,911	-	47,911
Fire and rescue	45,409	-	45,409
Sanitation	3,179	-	3,179
Highways and streets	3,835	-	3,835
Debt service	43,245	-	43,245
Capital outlay	359,156	-	359,156
	<u>705,880</u>	<u>2,234</u>	<u>708,114</u>
Total expenditures	<u>705,880</u>	<u>2,234</u>	<u>708,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,507</u>	<u>12,381</u>	<u>56,888</u>
OTHER FINANCING SOURCES (USES)			
Copier lease	6,338	-	6,338
Right-to-use software arrangements	19,797	-	19,797
	<u>26,135</u>	<u>-</u>	<u>26,135</u>
Total other financing sources (uses)	<u>26,135</u>	<u>-</u>	<u>26,135</u>
Net change in fund balances	70,642	12,381	83,023
Fund balances - beginning of year	261,676	45,121	306,797
Fund balances - end of year	<u>\$ 332,318</u>	<u>\$ 57,502</u>	<u>\$ 389,820</u>

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

CITY OF CANEY CITY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 83,023
The depreciation of capital assets used in governmental activities is not reported in the funds.	(59,401)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	16,761
The portion of fines, forfeitures and warrants receivable which are measurable and available are recognized as revenue in the funds. The remainder of the receivables are deferred and, therefore, are not reported in the governmental activities.	(74,377)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
GASB 68 Pension adjustments	(335)
GASB 75 Other post employment benefit adjustments	(433)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	365,494
Increases in long-term liabilities on capital assets should be shown as an expenditure in the government-wide statement of activities, however, current financial resources are not consumed in the governmental funds.	(26,135)
Repayments of loan principal consumes the current financial resources of the governmental funds which report the effect as an expenditure, however, there is no expense on the statement of activities.	<u>34,661</u>
Change in net position of governmental activities	<u><u>\$ 339,258</u></u>

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Notes to the Financial Statements

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Caney City, Texas (City) was incorporated in 1969 and operates under the laws of the State of Texas as a Type B General Law Municipality. The City operates under a mayor/council form of government with the mayor and (5) council members elected at large. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended December 31, 2023.

Blended Component Unit

The financial statements of the City include all funds and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency.

The Caney City Economic Development Corporation, Inc. was formed in 2011, and is governed by a seven-member board of directors, whom are appointed by the City's council members. For financial reporting purposes, the Caney City Economic Development Corporation, Inc. has been presented as a blended component unit of the City and is reported as a Special Revenue Fund. Activities are funded by the revenues generated by the one-quarter cent sales tax. The Caney City Economic Development Corporation, Inc. does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements - continued

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for governmental fund categories. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The City reports the following major governmental funds:

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Cash and Cash Equivalents

The City's cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "Due to/from Other Funds" (i.e., the current portion of the interfund loan) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from Other Funds."

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at December 31, 2023. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

**CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	15 - 39
Infrastructure	20
Machinery and equipment	7
Vehicles	5 - 10

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to December 31, 2021 have not been capitalized by the City. Additional capital assets, constructed or acquired each period subsequent to December 31, 2021, are capitalized and reported at historical cost.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Stewardship, Compliance, and Accountability

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
General government	\$ 200,124	\$ 166,463	\$ (33,661)
Sanitation	\$ 3,179	\$ 533	\$ (2,646)
Debt service	\$ 43,245	\$ 36,699	\$ (6,546)
Capital outlay	\$ 359,156	\$ -	\$ (359,156)

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at December 31, 2023. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

Cash & Cash Equivalents	Bank Balance	Category			Carrying Amount
		1	2	3	
General fund	\$ 165,846	\$ 165,846	\$ -	\$ -	\$ 165,846
Economic development fund	57,502	57,502	-	-	57,502
Total	<u>\$ 223,348</u>	<u>\$ 223,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,348</u>

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Investments

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

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City did not adhere to the requirements of the Act.

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, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City’s certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City’s deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of December 31, 2023, the carrying amount of the City’s certificates of deposit was \$153,756.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending December 31, 2023.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers’ compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was \$94,766,808 for 2023 (with taxes due January 1, 2023) levied at a rate of \$0.248911 per hundred-dollar valuation.

Receivables

Receivables as of year-end for the City's major government fund, including applicable allowances for uncollectible accounts, are as follows:

	Primary Government General Fund
<u>Receivables</u>	
Sales taxes	\$ 19,800
Property taxes	145,106
Fines and forfeitures	<u>36,305</u>
Gross receivables	201,211
Less: Allowance for uncollectables	<u>(1,815)</u>
Total	<u><u>\$ 199,396</u></u>

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The City had no interfund transfer during the year ending December 31, 2023.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

The following is a summary of the changes in the capital assets during the fiscal year:

Primary Government	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Construction in progress	45,000	-	(45,000)	-
<u>Depreciable assets:</u>				
Buildings and improvements	227,322	-	-	227,322
Infrastructure	8,440	384,359	-	392,799
Machinery and equipment	76,322	-	-	76,322
Vehicles	172,272	-	-	172,272
Leased equipment	-	6,338	-	6,338
Right-to-use software arrangements	-	19,797	-	19,797
Accumulate depreciation	(121,802)	(59,401)	-	(181,203)
Governmental activities, net	415,554	351,093	(45,000)	721,647
Capital assets, net	<u>\$ 415,554</u>	<u>\$ 351,093</u>	<u>\$ (45,000)</u>	<u>\$ 721,647</u>

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

General government	\$ 4,450
Public safety	30,694
Municipal court	1,924
Highways and streets	10,031
Fire and rescue	12,302
Total depreciation expense	<u>\$ 59,401</u>

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. No reportable litigation was pending against the City as of December 31, 2023.

Long-Term Liabilities

Obligations currently outstanding and reported as liabilities of the City are comprised of the following:

Governmental Activities	Maturity Date	Interest Rate	Original Amount	Yearend Balance
Note Payable - Excess Highway Fines	7/31/2026	0.00%	\$ 59,502	\$ 32,726
Note Payable - (2) 2014 Dodge Chargers	2/9/2026	3.50%	29,930	13,592
Note Payable - 2021 Dodge Ram 1500	7/20/2027	3.50%	46,486	28,892
Series 2019 General Obligation Bond	2/15/2049	2.875%	191,000	174,000
			Total	\$ 249,210

The changes in the general long-term debt as of December 31, 2023 are as follows:

Governmental Activities	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Due Within One Year
Certificates of obligation	\$ 178,400	\$ -	\$ (4,400)	\$ 174,000	\$ 4,600
Notes payable	98,540	-	(23,330)	75,210	27,773
Net OPEB liability	2,963	-	(1,081)	1,882	-
Copier lease	-	5,532	-	5,532	1,148
Right-to-use software arrangements	-	13,672	-	13,672	6,587
Total	\$ 279,903	\$ 19,204	\$ (28,811)	\$ 270,296	\$ 40,108

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities – continued

Annual debt service requirements for the City's notes payable are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 27,773	\$ 1,266	\$ 73,357
2024	26,283	772	27,055
2025	16,274	333	16,607
2026	4,880	56	4,936
2027	-	-	-
Total	<u>\$ 75,210</u>	<u>\$ 2,427</u>	<u>\$ 121,955</u>

Annual debt service requirements for the City's certificates of obligation are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 4,600	\$ 4,944	\$ 9,544
2024	4,700	4,797	9,497
2025	4,800	4,667	9,467
2026	5,000	4,526	9,526
2027	5,100	4,387	9,487
2028-2032	28,000	19,565	47,565
2033-2037	32,300	15,240	47,540
2038-2042	37,200	10,262	47,462
2043-2047	43,100	4,498	47,598
2048-2049	9,200	133	9,333
Total	<u>\$ 174,000</u>	<u>\$ 73,019</u>	<u>\$ 247,019</u>

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Leases

Lease agreements are summarized as follows:

Description	Lease Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Yearend Balance
Konica Minolta C4050i	4/11/2023	60 Months	\$ 127.00	7.50%	\$ 6,338	\$ 5,532
Total					<u>\$ 6,338</u>	<u>\$ 5,532</u>

The Konica Minolta C4050i color copier equipment was leased for the City Hall Administration, beginning on April 11, 2023 for a term of sixty (60) months or five years at a fixed interest rate of 4.00%. This lease is renewable, and the City will not acquire the equipment at the end of the five years.

The lease terms include an all-inclusive cost per copy maintenance agreement for toner, parts, labor, and supplies (excluding paper), with all black/white copies billed at a rate of \$0.0126 each and color copies at a rate of \$0.0581 each.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending March 31	Governmental Activities		Total
	Lease Payment Schedule		
	Principal	Interest	
2024	\$ 1,148	\$ 376	\$ 1,524
2025	1,237	287	1,524
2026	1,333	191	1,524
2027	1,437	87	1,524
2028	376	5	381
Total	\$ 5,531	\$ 946	\$ 6,477

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements

The City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The City has three (3) software arrangements that require recognition under GASBS No. 96. The software amortization expense is included on the Statement of Revenues, Expenses and Changes in Fund Net Position related to the City's intangible asset of five software systems, which is included in the capital assets table as Intangible Right-to-Use Software Arrangements.

The City recognizes subscription-based information technology arrangement (SBITA) liabilities and intangible right-to-use assets for software as follows:

The Fund View municipal court software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$3,724. At the inception, the City has used a 7.50% interest rate for this arrangement based on the prime rate as published by the Wall Street Journal. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

The Kologik / COPsync public safety software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$2,220. At the inception, the City has used a 7.50% interest rate for this arrangement based on the prime rate as published by the Wall Street Journal. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

The QuickBooks accounting software arrangement is a one-year agreement, initiated in fiscal year 2023 with an annual payment of \$1,620. At the inception, the City has used a 7.50% interest rate for this arrangement based on the prime rate as published by the Wall Street Journal. The City has an option to extend this arrangement for 12 additional months and is likely to exercise that option for two (2) additional years. There is no option to purchase the software.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Subscription-Based Information Technology Arrangements – continued

These assets will be amortized over the lease terms of three years with \$17,813 recorded as intangible right-to-use software arrangements in the General Fund and Water Sewer Fund capital assets.

SBITA agreements are summarized as follows:

<u>Business-Type Activities</u>	<u>SBITA Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total SBITA Liability</u>	<u>Yearend Balance</u>
Right-to-use software arrangements						
Fund View	1/1/2023	36 months	3,724	7.50%	9,683	6,686
Kologic	1/1/2023	36 months	2,220	7.50%	5,773	3,986
QuickBooks	1/1/2023	36 months	1,620	7.50%	4,340	3,000
				Total	\$ 19,796	\$ 13,672

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

<u>Year Ending</u> <u>December 31</u>	<u>SBITA Payment Schedule</u>		
	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 6,587	\$ 976	\$ 7,563
2025	7,085	479	7,564
2026	-	-	-
Total	\$ 13,672	\$ 1,455	\$ 15,127

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 935 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

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

Plan provisions for the City were as follows:

Plan Year	2022	2021
Employee deposit rate	5%	5%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	12
Active employees	4
Total	<u>16</u>

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 1.71% and 1.52% in calendar years 2021 and 2022, respectively. The City’s contributions to TMRS for the year ended December 31, 2023 were \$974, and were equal to the required contributions.

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

Actuarial assumptions:

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Discount rate:

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

Changes in the net pension liability:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	\$ 50,094	\$ 68,550	\$ (18,456)
Changes for the year:			
Service cost	\$ 10,723	\$ -	\$ 10,723
Interest	3,440	-	3,440
Change of benefit terms	-	-	-
Difference between expected and actual experience	(2,130)	-	(2,130)
Changes of assumptions	-	-	-
Contributions - employer	-	2,731	(2,731)
Contributions - employee	-	7,804	(7,804)
Net investment income	-	(5,056)	5,056
Benefit payments, including refunds of employee contributions	(8,979)	(8,979)	-
Administrative expense	-	(44)	44
Other changes	-	52	(52)
Net changes	3,054	(3,492)	6,546
Balance at 12/31/2022	\$ 53,148	\$ 65,058	\$ (11,910)

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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

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

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability (asset)	\$ (7,250)	\$ (11,910)	\$ (15,881)

Pension plan fiduciary net position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at tmrs.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended December 31, 2023, the City recognized pension expense of \$335.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 4,529
Changes in actuarial assumptions and other inputs	-	991
Difference between projected and actual investment earnings	199	-
Contributions subsequent to the measurement date	3,820	-
Total	\$ 4,019	\$ 5,520

**CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – continued

The amount of \$3,820 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2023. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>		
2023	\$	(1,807)
2024		(280)
2025		1,272
2026		1,936
2027		-
Thereafter		<u>-</u>
Total	\$	<u><u>1,121</u></u>

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund

Plan Description – The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected by ordinance to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided – The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	4
Total	<u>4</u>

Contributions – The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Schedule of contributions:

Plan Year	2022	2021
Total SDB Contribution (Rate)	0.08%	0.14%
Retiree Portion of SDB Contribution (Rate)	0.00%	0.00%

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.	

Changes in the OPEB liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	<u>\$ 2,963</u>
Changes for the year:	
Service cost	\$ 609
Interest	60
Change of benefit terms	-
Difference between expected and actual experience	(543)
Changes of assumptions	(1,207)
Benefit payments	<u>-</u>
Net changes	<u>(1,081)</u>
Balance at 12/31/2022	<u><u>\$ 1,882</u></u>

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

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

	1% Decrease in Discount Rate 3.05%	Current Rate Assumption 4.05%	1% Increase in Discount Rate 5.05%
City's net pension liability (asset)	\$ 2,334	\$ 1,882	\$ 1,538

OPEB expense:

	OPEB Expense
Service cost	\$ 609
Interest	60
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(234)
Changes of assumptions	(2)
Total OPEB expense	<u>\$ 433</u>

Deferred outflows of resources and deferred inflows of resources related to OPEB:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,694
Changes in actuarial assumptions and other inputs	103	-
Contributions subsequent to the measurement date	46	-
Total	<u>\$ 149</u>	<u>\$ 1,694</u>

**CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

Year ended December 31:		
2023	\$	(236)
2024		(236)
2025		(189)
2026		(149)
2027		(149)
Thereafter		(708)
Total	\$	<u>(1,667)</u>

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 87, *“Leases.”* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. All applicable provisions have been included in the City’s financial statements as of December 31, 2023.

GASB Statement No. 91, *“Conduit Debt Obligations.”* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. All applicable provisions have been included in the City’s financial statements as of December 31, 2023.

GASB Statement No. 94 – *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The Statement will become effective for fiscal years beginning after June 15, 2022. All applicable provisions have been included in the City’s financial statements as of December 31, 2023.

CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

GASB Statement No. 96 – “*Subscription-Based Information Technology Arrangements.*” The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 99 – “*Omnibus 2022.*” The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

The GASB has issued the following Statements which will become effective in future years as shown below:

GASB Statement No. 100 – “*Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.*” The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for fiscal years beginning after June 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 101 – “*Compensated Absences.*” The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement will become effective for fiscal years beginning after December 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

**CITY OF CANEY CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

GASB Statement No. 102 – “*Certain Risk Disclosures.*” The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 103 – “*Financial Reporting Model Improvements.*” The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Management has not yet determined the impact of this Statement on its financial statements.

OMB Circular A-133 – State of Texas Single Audit Circular

The City did not expend \$750,000 or more in federal or state awards during 2023. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended December 31, 2023.

Subsequent Events

Management has evaluated subsequent events through November 14, 2024, which is the date the financial statements were made available to management.

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Required Supplementary Information

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**CITY OF CANEY CITY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023**

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes:				
Sales	\$ 89,250	\$ 89,250	\$ 91,828	\$ 2,578
Property	231,234	231,234	232,960	1,726
Franchise	12,128	12,128	15,994	3,866
Liquor	6,000	6,000	4,250	(1,750)
Fines and forfeitures	86,349	86,349	34,446	(51,903)
Grants and contributions	34,200	34,200	356,639	322,439
Charges for services	23,077	23,077	-	(23,077)
Licenses and permits	8,800	8,800	5,562	(3,238)
Interest income	764	764	1,435	671
Miscellaneous	1,857	1,857	7,273	5,416
Total revenues	493,659	493,659	750,387	256,728
EXPENDITURES				
General government	166,463	166,463	200,124	(33,661)
Municipal court	75,897	75,897	3,021	72,876
Public safety	128,613	128,613	47,911	80,702
Fire and rescue	60,982	60,982	45,409	15,573
Sanitation	533	533	3,179	(2,646)
Highways and streets	12,750	12,750	3,835	8,915
Debt service	36,699	36,699	43,245	(6,546)
Capital outlay	-	-	359,156	(359,156)
Total expenditures	481,937	481,937	705,880	(223,943)
Excess (deficiency) of revenues over (under) expenditures	11,722	11,722	44,507	32,785
OTHER FINANCING SOURCES (USES)				
Copier lease	-	-	6,338	6,338
Right-to-use software arrangements	-	-	19,797	19,797
Total other financing sources	-	-	26,135	26,135
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	\$ 11,722	\$ 11,722	70,642	\$ 58,920
Fund balance - beginning of year			261,676	
Fund balance - end of year			\$ 332,318	

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 10,723	\$ 11,719	\$ 10,013	\$ 9,648
Interest (on the total pension liability)	3,440	2,852	2,078	1,654
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(2,130)	(870)	(1,482)	(2,946)
Change of assumptions	-	-	-	260
Benefit payments, including refunds of employee contributions	(8,979)	-	-	(5,038)
Net change in total pension liability	3,054	13,701	10,609	3,578
Total pension liability - beginning	50,094	36,393	25,784	22,206
Total pension liability - ending (a)	<u>\$ 53,148</u>	<u>\$ 50,094</u>	<u>\$ 36,393</u>	<u>\$ 25,784</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,731	\$ 4,337	\$ 1,805	\$ 2,704
Contributions - employee	7,804	8,276	6,305	7,084
Net investment income	(5,056)	6,506	2,945	4,554
Benefit payments, including refunds of employee contributions	(8,979)	-	-	(5,038)
Administrative expense	(44)	(30)	(19)	(26)
Other	52	-	(1)	(1)
Net change in plan fiduciary net position	(3,492)	19,089	11,035	9,277
Plan fiduciary net position - beginning	68,550	49,461	38,426	29,149
Plan fiduciary net position - ending (b)	<u>\$ 65,058</u>	<u>\$ 68,550</u>	<u>\$ 49,461</u>	<u>\$ 38,426</u>
Net pension liability - ending [(a) - (b)]	<u>\$ (11,910)</u>	<u>\$ (18,456)</u>	<u>\$ (13,068)</u>	<u>\$ (12,642)</u>
Plan fiduciary net position as a percentage of total pension liability	122.41%	136.84%	135.91%	149.03%
Covered employee payroll	\$ 156,081	\$ 165,527	\$ 126,103	\$ 141,679
Net pension liability as a percentage of covered employee payroll	-7.63%	-11.15%	-10.36%	-8.92%

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2022	2021	2020	2019
Actuarially determined contribution	\$ 3,820	\$ 7,673	\$ 4,568	\$ 2,219
Contributions in relation to the actuarially determined contribution	3,820	7,673	4,568	2,219
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	156,081	165,527	126,103	141,679
Contributions as a percentage of covered employee payroll	2.45%	4.64%	3.62%	1.57%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age normal

Amortization method

Level percentage of payroll, closed

Remaining amortization period

NA

Asset valuation method

10 year smoothed market, 12% soft corridor

Inflation

2.5%

Salary increases

3.50% to 11.5% including inflation

Investment rate of return

6.75%

Retirement age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

Notes

There were no benefit changes during the year.

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2022	2021	2020	2019
Total OPEB liability				
Service cost	\$ 609	\$ 811	\$ 1,084	\$ 326
Interest (on the total OPEB liability)	60	52	57	29
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(543)	(234)	(798)	63
Change of assumptions	(1,207)	130	323	499
Benefit payments	-	-	-	-
Net change in total OPEB liability	(1,081)	759	666	917
Total OPEB liability - beginning	<u>2,963</u>	<u>2,204</u>	<u>1,538</u>	<u>621</u>
Total OPEB liability - ending	<u><u>\$ 1,882</u></u>	<u><u>\$ 2,963</u></u>	<u><u>\$ 2,204</u></u>	<u><u>\$ 1,538</u></u>
Covered employee payroll	\$ 156,081	\$ 165,527	\$ 126,103	\$ 141,679
Total OPEB liability as a percentage of covered employee payroll	1.21%	1.79%	1.75%	1.09%

Compliance and Internal Control



DAVID K. GODWIN
CERTIFIED PUBLIC ACCOUNTANT, PLLC

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

To the Honorable Mayor and Members of City Council
City of Caney City, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Caney City, Texas (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 14, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of Caney City, Texas's Response Prior to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

A handwritten signature in blue ink that reads "David K. Godwin, CPA, PLLC". The signature is fluid and cursive.

David K. Godwin, CPA, PLLC

Tyler, Texas

November 14, 2024

**CITY OF CANEY CITY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2022-001 Significant Deficiency

Recommendation 2022-001

The City should evaluate continuing professional education needs of City staff to enhance financial infrastructure and effectiveness of City operations.

Also, in order to maintain integrity of the City's financial infrastructure, a succession plan should be developed to ensure common daily processes and procedures for routine public services can be performed by the City in the event key personnel become unavailable to perform regular duties.

General effective training and succession planning activities often include cross training key personnel and/or identifying key responsibilities and essential processes to establish a formal listing of these activities (i.e., monthly – bank reconciliations, quarterly – 941's filed, annually – 1099's filed).

Corrective Action Plan

During 2023, members of the City Council and volunteers have actively assumed various roles in order to ensure that public service functions are performed daily. This has resulted in a furtherance of a wider knowledge base relating to day-to-day functions of the City.

The City will continue to develop a formal catalogue of essential processes and procedures and will seek to fill currently vacant key positions with the needed skill sets. Continuing education needs will be identified and established as a job requirement, as needed, for key personnel. Council members will receive training as needed.

Remediation Status

COMPLETE

2022-002 Significant Deficiency

Recommendation 2022-002

A formal financial review should be implemented by the City to include timely reconciled bank statements along with a Balance Sheet, Profit and Loss, and Budget vs Actual from the City's accounting system.

Corrective Action Plan

Financial statements, including the Vera bank reconciliation, Balance Sheet, Income vs Expense, and Budget vs Actuals are now included as a financial packet for each Council meeting. The City is discussing ways to implement a more formalized fiscal review committee.

Remediation Status

COMPLETE

**CITY OF CANEY CITY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2022-003 Significant Deficiency

Recommendation 2022-003

The City should establish a process to properly calculate excess highway fines as outlined by Chapter 542.402(b) of the Texas Transportation Code.

Corrective Action Plan

At least two City council members and a financial volunteer have received formalized training on the municipal court system, FundView. We have inquired about the Excess Fines Calculation and will be addressing how to calculate the report using information from the system. Although FundView does not produce an Excess Fines Report, we believe that the report can be produced from information contained in FundView. The City will add this report to its list of essential processes and procedures going forward.

Remediation Status

COMPLETE

2022-004 Significant Deficiency

Recommendation 2022-004

Training should be provided to the municipal treasurer to assist with proper tracking of spending constraints as outlined by GASB Statement No. 54.

Corrective Action Plan

The City is actively seeking staff with municipal court experience or who can obtain municipal court certification within two years of employment. The City will also provide training opportunities to members of the Council.

Remediation Status

IN PROGRESS

**CITY OF CANEY CITY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2022-005 Material Weakness

Recommendation 2022-005

In order to maintain integrity of the City's public records and documents, the City should implement standardized filing practices and also limit access to appropriate personnel.

Mitigating controls over the lack of segregation of duties should be established to require an individual, independent of the check preparation and bank reconciliation processes, to substantiate supporting documentation provided for cash handling and disbursement activities. Typical mitigating controls and oversight activities include documenting detailed review of invoices, bank drafts and bank reconciliations to ensure effective controls are maintained over the cash handling and disbursement activities, in addition to safeguarding the individual responsible for these functions.

Corrective Action Plan

Members of the City Council are in the process of cleaning up /revamping the filing system so that supporting documents can be easily located. Mitigating controls over the lack of segregation of duties have been implemented. The Mayor actively reviews all invoices and bank drafts. An additional month end review/oversight is performed by the financial volunteer prior to the development of monthly financial statements. Debit cards have been canceled. Credit cards have been implemented with controls established that disallow certain types of transactions. Cash is no longer accepted at City Hall. Bank reconciliations are current through January, 2024. We have actively reviewed and corrected numerous duplicate transactions and other observations in the 2022 and 2023 accounting records.

The City will continue to work with new key personnel as they are hired in order to develop procedures for record maintenance and standardized filing practices. The City will continue to seek ways to implement additional mitigating controls that are needed in small organizations that lack segregation of duties.

Remediation Status

COMPLETE

2022-006 Compliance

Recommendation 2022-006

Training should be provided to the municipal court staff to establish consistent record maintenance and compliance with State regulations over the municipal court.

Corrective Action Plan

The municipal court is evaluating current processes and procedures, and will begin training with the Texas Municipal Courts Education Center.

Remediation Status

IN PROGRESS

**CITY OF CANEY CITY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2022-007 Compliance

Recommendation 2022-007

The CCEDC should file Form 802 with the Office of the Secretary of State and also create a recurring procedure to ensure proper filing once every four (4) years.

Corrective Action Plan

The CCEDC will file Form 802 with the Office of the Secretary of State and establish internal procedures to ensure timely filing in the future. Before Form 802 can be timely filed, the Registered Agent, Form 401a, Acceptance of Appointment and Consent to Serve As a Registered Agent, will need to be changed from a former City Secretary who left our employment approximately seven years ago. We are exploring how to establish the Registered Agent with our Legal Counsel or a commercial service so it is not tied to an employee/former employee of the City.

Remediation Status

COMPLETE

2022-008 Compliance

Recommendation 2022-008

The City should adopt an Investment Policy and train key personnel to ensure its compliance with the Public Funds Investment Act.

Corrective Action Plan

The City's key personnel will receive Investment training to comply with the Public Funds Investment Act (PFIA).

Remediation Status

IN PROGRESS

**CITY OF CANEY CITY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2022-009 Compliance

Recommendation 2022-009

IRS Form W9 should be required from all vendors prior to issuing payments to assist with compliance and proper filing of IRS information returns.

Corrective Action Plan

During the process of filing 1099s for 2023, the City made a concerted effort to obtain W-9s from each payee paid at least \$600 during 2023 and who report income through an Individual Income Tax Form 1040. The Form 1099 for identified payees was timely filed for 2023.

Going forward, the Mayor has implemented a requirement that all vendors must have a W-9 on file prior to the issuance of payment. All W-9s received are identified in a separate file and will be notated in QuickBooks before the first payment is made each year to that vendor. As new staff are employed, this requirement will be added to their list of essential job tasks.

Remediation Status

COMPLETE

2022-010 Compliance

Recommendation 2022-010

The City should establish a process to monitor its compliance with Chapter 59 of the Code of Criminal Procedure.

Corrective Action Plan

The City has contacted the Office of the Attorney General to properly file the Chapter 59 asset forfeiture report and will establish internal procedures to ensure timely filing in the future.

Remediation Status

IN PROGRESS

**CITY OF CANEY CITY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2022-011 Compliance	
Recommendation 2022-011	
The City should file the approved budget with the county clerk and train key personnel to ensure its compliance with the Chapter 102.011 of the Texas Local Government Code.	
Corrective Action Plan	
The City filed the 2024 budget with the county clerk. Going forward, this requirement will be added to the list of essential functions for appropriate staff. As new staff are employed, they will be trained in how to do this.	
Remediation Status	
COMPLETE	