

CITY OF NEEDVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

CITY OF NEEDVILLE, TEXAS
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FINANCIAL SECTION

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TRLICEK & CO., P.C.

Certified Public Accountants

113 W. Colorado St.

P.O. Box 817

La Grange, TX 78945

(979) 533-0925

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Needville, Texas

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and individual fund financial statement but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Talbot & Co., P.C.

La Grange, Texas
December 15, 2023

CITY OF NEEDVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Needville, Texas (the City) for the year ended September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirement for the MD&A. This MD&A should be read in conjunction with the City's financial statements, which is part of these financial statements:

STRUCTURE OF OUR ANNUAL REPORT

The table of contents presented at the beginning of this report provides an overview of the structure of the City's report, as well as the page numbers where the respective sections can be located within the report. The annual financial is present as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as the MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting method which is similar to the accounting used by most private-sector companies. Under this method, revenues are recognized when earned and expenditures when they occur.

The Statement of Net Position reports net position as the difference in assets and liabilities. The increase or decrease in net position of the City can serve as a useful indicator of the City's financial position currently as compared to prior year (s). Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City. The Statement of Activities reflects the change in net position during the year.

CITY OF NEEDVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

These statements are divided into the following classes of activities:

Governmental Activities- Basic services are reported under this activity, including the general government, public safety and public works, and interest on the City's debt. Sales tax, property taxes, franchise taxes, municipal court fines and permit fees finance most of these activities.

Business-type Activities- Basic services involving a fee are reported here. These include the City's water and sewer services.

Component Units- The City of Needville itself is the primary government. The Development Corporation of Needville (DCN) is established as a separate legal entity. The City maintains financial accountability over the DCN; thus, the DCN is reported as a discrete component unit, separate from the financial transactions of the City.

FUND FINANCIAL STATEMENTS

Fund financial statements are segregated for specific activities and objectives. The use of fund accounting is to ensure and demonstrate compliance with finance related legal reporting requirements. Governmental and proprietary funds are the basic fund type financial statements.

Government 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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. The City maintains two governmental funds. They are the general fund and debt service fund. Both the governmental fund balance sheets and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government-wide statements and fund financial statement.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The focus of the City's proprietary funds statements is to account for all "business- like" activity. The City has only one proprietary fund which is the water and sewer fund. There is no difference in the reporting of proprietary funds under the government-wide financial statements and the fund financial statements.

CITY OF NEEDVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

NOTES TO FINANCIAL STATEMENTS

The Notes to the financial statement provide additional information that is essential to a full understanding of the financial data provided both in the government-wide and fund financial statements.

OTHER INFORMATION

GASB Statement No. 34 requires that budgetary comparison schedules for the general fund and a schedule of funding progress for the Texas Municipal Retirement System be presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets of the City exceeded its liabilities at current year end by \$9,354,859 as compared to the prior year of \$9,499,935. A large portion of these net assets were investments in capital assets amounting to \$2,643,892 for the current fiscal year and \$2,903,156 for the prior fiscal year. These capital assets consist of land, buildings, machinery and equipment, infrastructure and public works facilities, less related debts used to acquire these assets. The capital assets are used to provide services to its citizens and consequently, are not available for future spending. Further, the City's debt related to the capital investments will require future current resources for their retirement. The City has further restriction on the use of its net position due to external restrictions.

A portion of the City's net position, \$2,632,964, represents resources that are subject to external restrictions on how they may be used.

**CITY OF NEEDVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The following is condensed statements of net position for the current fiscal and prior fiscal year:

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS:						
Current and other assets	\$5,826,347	\$5,339,519	\$1,514,318	\$1,430,894	\$7,340,665	\$6,770,413
Capital assets, net	1,622,283	1,750,376	3,111,609	3,397,780	4,733,892	5,148,156
Net pension asset	-	280,983	-	-	-	280,983
Deferred outflow	488,032	114,911	-	-	488,032	114,911
Total assets	7,936,662	7,485,789	4,625,927	4,828,674	12,562,589	12,314,463
LIABILITIES:						
Long-term liabilities	1,705,000	1,790,000	230,000	300,000	1,935,000	2,090,000
Other liabilities	397,775	111,891	325,781	211,856	723,556	323,747
Net pension liability	253,215	-	-	-	253,215	-
OPEB liability	86,828	117,751	-	-	86,828	117,751
Deferred inflow	209,131	283,030	-	-	209,131	283,030
Total liabilities	2,651,949	2,302,672	555,781	511,856	3,207,730	2,814,528
NET POSITION:						
Net investment in						
capital assets	(167,717)	(124,624)	2,811,609	3,027,780	2,643,892	2,903,156
Restricted	2,632,964	2,213,065	1,234,678	1,132,132	3,867,642	3,345,197
Unrestricted	2,819,466	3,094,676	23,859	156,906	2,843,325	3,251,582
Total net position	\$5,284,713	\$5,183,117	\$4,070,146	\$4,316,818	\$9,354,859	\$9,499,935

Governmental Activities

Total revenues for the governmental activities have decreased by \$188,608 for the current fiscal year compared to the prior fiscal year. The decrease is largely attributable to operating grants received in the prior fiscal year offset by increases in interest income. Total expenditures increased by 17.34% for the current fiscal year compared to the prior fiscal year due to increases in salaries and benefits, repairs and maintenance, water tower demolition, contracted services, depreciation and pension expenses.

CITY OF NEEDVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Business-Type Activities

Revenues for business-type activities increased \$5,825 for the current fiscal year compared to the prior fiscal year. This is a .61% increase from the current fiscal year to the prior fiscal year as the result of an increase in interest income received in the current year. The following is a condensed statement of changes in net position for the current fiscal and prior fiscal year.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
REVENUES:						
Program revenues:						
Charges for service	\$ 487,999	\$ 487,902	\$ 918,435	\$ 924,159	\$ 1,406,434	\$ 1,412,061
Operating grants	-	385,959	-	-	-	385,959
General revenues:						
Property taxes	972,407	845,274	-	-	972,407	845,274
Sales taxes	1,137,330	1,206,296	-	-	1,137,330	1,206,296
Franchise and local taxes	135,133	134,438	-	-	135,133	134,438
Interest income	164,655	19,834	14,424	1,714	179,079	21,548
Other revenues	75,640	82,069	21,013	22,174	96,653	104,243
Total revenues	2,973,164	3,161,772	953,872	948,047	3,927,036	4,109,819
EXPENDITURES						
General government	1,750,748	1,137,689	-	-	1,750,748	1,137,689
Public safety	769,219	847,062	-	-	769,219	847,062
Public works	233,540	310,710	-	-	233,540	310,710
Capital projects	-	52,771	-	-	-	52,771
Interest and fees	39,218	31,752	8,843	10,397	48,061	42,149
Water and sewer	-	-	1,270,544	1,166,958	1,270,544	1,166,958
Total expenditures	2,792,725	2,379,984	1,279,387	1,177,355	4,072,112	3,557,339
Increase in net position before transfers and bond proceeds	180,439	781,788	(325,515)	(229,308)	(145,076)	552,480
Transfers	(78,843)	(75,396)	78,843	75,396	-	-
Change in net position	101,596	706,392	(246,672)	(153,912)	(145,076)	552,480
Beginning net position	5,183,117	4,476,725	4,316,818	4,470,730	9,499,935	8,947,455
Ending net position	\$ 5,284,713	\$ 5,183,117	\$ 4,070,146	\$ 4,316,818	\$ 9,354,859	\$ 9,499,935

**CITY OF NEEDVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reflect combined fund balance of \$5,284,713 for the current fiscal year. Of this \$776,759 is reserved for debt service, \$1,487,017 for capital projects and \$369,188 for American Rescue Plan.

The General fund had revenues exceed expenditures by \$341,943 and, after transfers out of \$192,716, the net change in fund balance was an increase of \$149,227.

The Debt Service fund had expenditures exceed revenues by \$86,243 and, after transfers in of \$113,873, the net change in fund balance was an increase of \$27,630.

The Capital Project Fund had revenues exceed expenditures by \$23,081 and, the net change in fund balance was an increase of \$23,081.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund had total revenues of \$2,915,123 resulting in a favorable budget variance of \$299,003 from the final amended budget for the current fiscal year. This favorable variance is primarily due to property taxes, sales taxes and investment revenues reporting more than expected revenues for the current fiscal year. The City's general fund expenditures were over the final budget by \$15,790 and transfers were over the final budget by \$192,716. This resulted in a favorable budget variance of \$90,497.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets -The City's governmental activities and business-type activities had invested \$4,733,892 for the current fiscal in a variety of capital assets and infrastructure net of accumulated depreciation. See notes to these financials for more detail.

Long-Term Debt – The City had long-term obligations in governmental-type activities of \$1,790,000 and business-type activities of \$300,000 for the current fiscal year. During the current fiscal year, the City decreased its long-term debt by \$155,000. See notes to these financials for more detail.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City faces challenges in its Enterprise Fund due to its low unrestricted net position. The City took action and raised the water and sewer rates for fiscal year 2024 and will continue to monitor and raise rates as necessary, Even though the challenge will be there, the City is seeking to provide the best services possible for its residents.

**CITY OF NEEDVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or request for additional financial information should be directed to the Cynthia Sullivan, City Secretary, City of Needville, Texas 9022 Main Street, Needville, Texas 77461, telephone (979) 793-4254.

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BASIC FINANCIAL STATEMENTS

City of Needville, Texas

Statement of Net Position

September 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 5,358,731	\$ 1,412,400	\$ 6,771,131
Receivables, net	295,422	91,653	387,075
Prepaid expenses	1,288	-	1,288
Due from other funds	170,906	10,265	181,171
Total current assets	5,826,347	1,514,318	7,340,665
Noncurrent assets			
Capital assets not being depreciated	174,445	-	174,445
Capital assets, net of accumulated depreciation	1,447,838	3,111,609	4,559,447
Net capital assets	1,622,283	3,111,609	4,733,892
Total assets	<u>\$ 7,448,630</u>	<u>\$ 4,625,927</u>	<u>\$12,074,557</u>
Deferred outflow of resources			
Deferred outflow related to pensions	\$ 478,123	\$ -	\$ 478,123
Deferred outflow related to OPEB	9,909	-	9,909
Total deferred outflow of resources	<u>\$ 488,032</u>	<u>\$ -</u>	<u>\$ 488,032</u>
Liabilities and Net Position			
Liabilities			
Current liabilities			
Current maturity of long-term debt	\$ 85,000	\$ 70,000	\$ 155,000
Accounts payable and other accrual	169,425	23,761	193,186
Compensated absences	25,369	15,878	41,247
Security deposits	-	152,952	152,952
Due to other funds	117,981	63,190	181,171
Total current liabilities	397,775	325,781	723,556
Net pension liability	253,215	-	253,215
OPEB liability	86,828	-	86,828
Long-term debt, less current maturities	1,705,000	230,000	1,935,000
Total liabilities	2,442,818	555,781	2,998,599
Deferred inflow of resources			
Deferred inflow related to pensions	181,065	-	181,065
Deferred inflow related to OPEB	28,066	-	28,066
Total deferred inflow of resources	209,131	-	209,131
Net position			
Net investment in capital assets	(167,717)	2,811,609	2,643,892
Restricted for:			
Retirement of long-term debt	776,759	-	776,759
Capital projects	1,487,017	1,234,678	2,721,695
American Rescue Plan	369,188	-	369,188
Economic development	-	-	-
Unrestricted	2,819,466	23,859	2,843,325
Total net position	<u>\$ 5,284,713</u>	<u>\$ 4,070,146</u>	<u>\$ 9,354,859</u>

The accompanying notes are an integral part of these financial statements.

Component
Units

\$ 1,700,958

46,849

-

-

1,747,807

-

-

-

\$ 1,747,807

\$ -

-

\$ -

\$ -

11,179

-

-

-

11,179

-

-

11,179

-

-

-

-

-

-

1,736,628

-

\$ 1,736,628

City of Needville, Texas
Statement of Activities
For the Year Ended September 30, 2023

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
Primary Government			
Governmental Activities			
General government	\$ 1,750,748	\$ 161,508	\$ -
Public safety	769,219	326,491	-
Public works	233,540	-	-
Capital projects	-	-	-
Total Governmental Activities	2,753,507	487,999	-
Business-type Activities			
Water and sewer	1,270,544	918,435	-
Total Business-Type Activities	1,270,544	918,435	-
Total Primary Government	\$ 4,024,051	\$ 1,406,434	\$ -
Component Units			
General administration	\$ 129,568	\$ -	\$ -
Program development	-	-	-
	129,568	-	-
General revenues:			
Taxes			
Property			
Sales taxes			
Franchise taxes and local taxes			
Unrestricted investment earnings			
Interest expense			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Changes in net position			
Net position - beginning			
Net position - ending			

The accompanying notes are an integral part of these financial statements.

Net Revenues (Expenses) and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,589,240)	\$ -	\$ (1,589,240)	\$ -
(442,728)	-	(442,728)	-
(233,540)	-	(233,540)	-
-	-	-	-
(2,265,508)	-	(2,265,508)	-
-	(352,109)	(352,109)	-
-	(352,109)	(352,109)	-
(2,265,508)	(352,109)	(2,617,617)	-
\$ -	\$ -	\$ -	\$ 129,568
-	-	-	-
-	-	-	129,568
972,407	-	972,407	-
1,137,330	-	1,137,330	311,485
135,133	-	135,133	-
164,655	14,424	179,079	49,551
(39,218)	(8,843)	(48,061)	-
75,640	21,013	96,653	4,675
(78,843)	78,843	-	-
2,367,104	105,437	2,472,541	365,711
101,596	(246,672)	(145,076)	236,143
5,183,117	4,316,818	9,499,935	1,500,485
\$ 5,284,713	\$ 4,070,146	\$ 9,354,859	\$ 1,736,628

City of Needville, Texas
Balance Sheet - Governmental Funds
September 30, 2023

Assets	General Fund
Cash and cash equivalents	\$ 3,202,671
Receivables	
Sales and franchise taxes	194,555
Accounts receivable (less allowance of \$24,728)	44,256
Delinquent taxes	41,621
Prepaid expenses	1,288
Due from Other Funds	63,190
Total assets	<u>\$ 3,547,581</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities	
Accounts payable and accruals	\$ 169,425
Due to Other Funds	117,981
Total liabilities	<u>287,406</u>
Deferred inflows of resources	
Deferred inflows	49,997
Total deferred inflows of resources	<u>49,997</u>
Fund balances	
Restricted fund balances:	
American Rescue Plan	369,188
Retirement of long-term debt	-
Capital projects	-
Unassigned	2,840,990
Total fund balances	<u>3,210,178</u>
Total liabilities and fund balances	<u>\$ 3,547,581</u>

Reconciliation to the Statement of Net Position of Governmental Activities:

Total governmental fund balance
Add capital assets not reported in governmental funds, (net of accumulated depreciation of \$1,641,406)
Deferred revenues for property taxes receivable recognized as revenue in the government-wide statement of net position
Recognition of the City's proportionate share of the net pension liability is not reported in governmental funds. The net effect of the current year's liability is to decrease net position
Compensated absences not reported in governmental funds
Long-term liabilities not reported in governmental funds
Recognition of the City's proportionate share of the OPEB liability is not reported in governmental funds. The net effect of the current year's liability is to decrease net position
Recognition of the City's deferred outflows/(inflows) due to net pension liability is not reported in governmental funds. The net effect of deferred outflows (inflows) is to decrease net position
Recognition of the City's deferred outflows/(inflows) due to other post-employment benefits liability is not reported in governmental funds. The net effect of deferred outflows (inflows) is to increase net position
Net Position of Governmental Activities

The accompanying notes are an integral part of these financial statements.

Debt Service Fund	Capital Project Fund	Total Governmental Funds
\$ 669,043	\$ 1,487,017	\$ 5,358,731
-	-	194,555
-	-	44,256
14,990	-	56,611
-	-	1,288
107,716	-	170,906
<u>\$ 791,749</u>	<u>\$ 1,487,017</u>	<u>\$ 5,826,347</u>

\$ -	\$ -	\$ 169,425
-	-	117,981
-	-	287,406
14,990	-	64,987
<u>14,990</u>	<u>-</u>	<u>64,987</u>

-	-	369,188
776,759	-	776,759
-	1,487,017	1,487,017
-	-	2,840,990
<u>776,759</u>	<u>1,487,017</u>	<u>5,473,954</u>
<u>\$ 791,749</u>	<u>\$ 1,487,017</u>	<u>\$ 5,826,347</u>

\$ 5,473,954

1,622,283

64,987

(253,215)

(25,369)

(1,790,000)

(86,828)

297,058

(18,157)

\$ 5,284,713

City of Needville, Texas**Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
For the Year Ended September 30, 2023**

Revenues	General Fund
Property taxes	\$ 966,656
Sales taxes	1,081,155
CAD sales taxes	56,175
Charges for services	326,490
Franchise and local taxes	135,133
Municipal court	46,852
Other revenue	75,640
Permits and licenses	114,656
Interest	112,366
Total revenues	<u>2,915,123</u>
Expenditures	
General government	1,570,421
Public works	233,540
Public safety	769,219
Capital outlay	-
Debt service	
Principal	-
Interest	-
Total expenditures	<u>2,573,180</u>
Revenues over (under) expenditures	<u>341,943</u>
Other Financial Sources (Uses)	
Operating transfers in (out)	<u>(192,716)</u>
Total other financial sources (uses)	<u>(192,716)</u>
Net change in fund balance	149,227
Beginning fund balance	3,060,951
Ending fund balance	<u><u>\$ 3,210,178</u></u>

Reconciliation to the Statement of Activities

Total net change in fund balance - governmental funds

Net increase in revenues on the Statement of Activities not included
in the governmental funds statement - Capital outlays/sales

Net decrease in revenues on the Statement of Activities not included
in the governmental funds statement - Property tax revenues

Expenses on the Statement of Activities not included in the
governmental funds statement - Depreciation expense

Net decrease in revenues on the Statement of Activities not included
in the governmental funds statement - Principal payments and new long-term debt

Net increase in revenues on the Statement of Activities not included
in the governmental funds statement - Compensated absences

Recognition of the City's proportionate share of the net pension expense is not reported in
governmental funds. The net effect of the current year's expense is to decrease net position

Change in net position of governmental activities

The accompanying notes are an integral part of these financial statements.

Debt Service Fund	Capital Project Fund	Total Governmental Funds
\$ -	\$ -	\$ 966,656
-	-	1,081,155
-	-	56,175
-	-	326,490
-	-	135,133
-	-	46,852
-	-	75,640
-	-	114,656
29,132	23,157	164,655
29,132	23,157	2,967,412
-	76	1,570,497
-	-	233,540
-	-	769,219
-	-	-
85,000	-	85,000
30,375	-	30,375
115,375	76	2,688,631
(86,243)	23,081	278,781
113,873	-	(78,843)
113,873	-	(78,843)
27,630	23,081	199,938
749,129	1,463,936	5,274,016
\$ 776,759	\$ 1,487,017	\$ 5,473,954

\$ 199,938

51,249

26,375

(179,342)

85,000

(25,369)

(56,255)

\$ 101,596

City of Needville, Texas
Statement of Net Position - Proprietary Funds
September 30, 2023

	Business-type Activities Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 1,412,400
Customer receivables	85,233
Other receivables	6,420
Due from other funds	10,265
Total current assets	1,514,318
Capital assets	
Building	32,889
Water system	5,420,262
Sewer system	2,510,750
Equipment and furniture	16,250
Machinery and equipment	715,471
Total capital assets	8,695,622
Less accumulated depreciation	(5,584,013)
Net capital assets	3,111,609
 Total assets	 \$ 4,625,927
 Liabilities and Net Position	
Liabilities	
Accounts payable and accruals	\$ 23,761
Compensated absences	15,878
Customer deposits	152,952
Due to other funds	63,190
Current maturity of long-term debt	70,000
Total current liabilities	325,781
 Debt, less current maturity	 230,000
 Total liabilities	 555,781
Net position	
Invested in capital assets	2,811,609
Restricted net position	1,234,678
Unrestricted net position	23,859
Total net position	4,070,146
Total liabilities and net position	\$ 4,625,927

The accompanying notes are an integral part of these financial statements.

City of Needville, Texas**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds****For the Year Ended September 30, 2023**

	Business-type Activities Enterprise Fund
Operating revenues	
Water and sewer charges	\$ 918,435
Other	21,013
Total operating revenues	<u>939,448</u>
Operating expenses	
Salaries and benefits	584,423
Insurance	33,540
Repairs	38,712
Utilities	52,747
Supplies	103,058
Bad debt expense	24,556
Engineering fees	37,120
Sludge hauling	21,280
Postage	6,438
Chemicals	34,853
Fuel	10,900
Depreciation	286,170
Miscellaneous	36,747
Total operating expenses	<u>1,270,544</u>
Operating income (loss)	(331,096)
Non-operating income	
Transfers in (out)	78,843
Investment earnings	14,424
Interest expense	(8,843)
Total non-operating income	<u>84,424</u>
Changes in net position	(246,672)
Net position - beginning of year	<u>4,316,818</u>
Net position - end of year	<u><u>\$ 4,070,146</u></u>

The accompanying notes are an integral part of these financial statements.

City of Needville, Texas
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2023

	Business-type Activities Enterprise Fund
Cash Flows Provided (Used) By Operating Activities	
Receipts from customers/others	\$ 987,270
Payments to suppliers	(171,441)
Payments to employees	(776,048)
Net cash provided (used) by operating activities	<u>39,781</u>
Cash Flows Provided (Used) By Non-Capital Financing Activities	
Operating transfers from (to) other funds	<u>78,843</u>
Net cash provided (used) by non-capital financing activities	<u>78,843</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities	
Purchase of fixed assets	-
Principal payments on debt	(70,000)
Net cash provided (used) by capital and related financing activities	<u>(70,000)</u>
Cash Flows Provided (Used) By Investing Activities	
Interest expense	(8,843)
Interest earned on investments	<u>14,424</u>
Net cash provided (used) by investing activities	<u>5,581</u>
Net increase (decrease) in cash and cash equivalents	<u>54,205</u>
Cash and cash equivalents - beginning of year	<u>1,358,195</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,412,400</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating (Loss):	\$ (331,096)
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	286,170
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Customer Receivables	(15,141)
Decrease (increase) in Other Receivables	(6,420)
Decrease (increase) in Due from Other Funds	(7,657)
Increase (decrease) in Accounts Payable and Accrued Liabilities	21,007
Increase (decrease) in Compensated Absences	15,878
Increase (decrease) in Utility Deposits	13,850
Increase (decrease) in Due to General Fund	63,190
Net Cash Provided by Operating Activities	<u><u>\$ 39,781</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Needville, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City of Needville, Texas (the City) was incorporated in 1944 under the provisions of the State of Texas. The City operates as a Council-Administrator government. With few exceptions, all powers of the City are vested in an elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the City Attorney and the Municipal Court Judge. The residents also elect the City Mayor, who executes the laws and administers the government of the City. The City provides the following services to its citizens: public safety, street maintenance, solid waste collection and disposal, recreation programs, municipal court, community development, public improvements, water and sewer services, and general administrative services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the City's financial statements include all funds, account groups, agencies, boards, commissions and other organizations over which the Council is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the foregoing criteria, the following entity has been included in this report:

Development Corporation of Needville (DCN) – Although the DCN is legally separate from the City, the DCN is reported as if it were part of the primary government because the City provides the majority of its funding; and the DCN provides services almost exclusively for the benefit of the primary government. The DCN is authorized to act on behalf of the City in order to encourage the promotion and development of commercial, industrial and manufacturing enterprises within the area. The DCN is discretely presented; it is reported in a separate column to emphasize that it is legally separate from the primary government.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The report information on all of the City's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "operating grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the City's functions. Taxes are always general revenues.

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

B. Government-Wide and Fund Financial Statements (Continued)

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position. All interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually came from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use 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).

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 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.

Revenues from local sources consist primarily of property taxes. Property tax revenues 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.

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the 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.

D. Fund Accounting

The City reports the following major governmental funds:

General Fund

The 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. Sanitation services are accounted for in the General Fund.

Debt Service Fund

The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

The City reports the following major enterprise fund:

Utility Fund

Water and wastewater services provided by the City are accounted for in the Utility Fund.

E. Other Accounting Policies

1. For the purpose of the statement of cash flows for proprietary funds, the City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. Investments are carried at fair value, which is based on quoted market price.
2. The City reports inventories of supplies as the lower of cost (first-in, first-out) or market. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

4. It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. Upon retirement or termination, the employee is paid for accumulated, unpaid vacation at their then current rate of pay. All vacation and sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirement or termination.
5. Capital assets, which include land, infrastructure, buildings and improvements, machinery and equipment and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Infrastructure, buildings and improvements, and machinery and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	20 – 40 years
Buildings and improvements	20 – 40 years
Machinery and equipment	10 years
Vehicles	5 years

6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
7. Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – Fund balance reported as “nonspendable” represents fund balance associated with inventory or prepaid items. The cash outlay for these types of items has already been made and, therefore, the resources represented by this fund balance classifications cannot be spent again.

Restricted Fund Balance – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or the external providers of those resources.

Committed Fund Balance – Fund balance reported as “committed” represents amounts that can be spent only for the specific purposes determined by a formal action of our City's highest level of decision-making authority.

Assigned Fund Balance – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as “committed” or “restricted” fund balance. Our governing body may grant to an administrator within the organization the authority to assign fund balance.

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Unassigned Fund Balance – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. These amounts are unconstrained in that they may be spent for any purpose.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

On or before the first day of June of each year, department and division leaders of the City submit requests for appropriations so that a budget can be prepared. The budget is prepared by fund, department, and activity, and includes information on the past year, current year budget and requested appropriations for the next fiscal year.

Before August 31, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. Management may not amend the budget without Council approval. Expenditures may not legally exceed budgeted appropriations at the department level.

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investments Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits: This is risk that in the event of bank failure, the City’s deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2023 was covered by depository insurance or by pledged collateral held by the City’s agent bank in the City’s name.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

C. DELINQUENT TAXES RECEIVABLE

Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxed are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended September 30, 2023 consisted of the following amounts:

Due from Proprietary Fund to:	
General Fund	<u>\$ 52,925</u>
Due from General Fund to:	
Debt Service Fund	<u>\$ 107,716</u>
Transfer from General Fund to:	
Debt Service Fund	<u>\$ 192,716</u>
Transfer from Debt Service Fund to:	
Proprietary Fund	<u>\$ 78,843</u>

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 4 – CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 174,445	\$ -	\$ -	\$ 174,445
Infrastructure	834,599	-	-	834,599
Buildings	582,886	-	-	582,886
Vehicles and equipment	1,605,258	51,249	-	1,656,507
Construction in progress	15,252	-	-	15,252
Totals at historical cost	3,212,440	51,249	-	3,263,689
Less accumulated depreciation	(1,462,064)	(179,342)	-	(1,641,406)
Governmental activities capital assets, net	<u>\$ 1,750,376</u>	<u>\$ (128,093)</u>	<u>\$ -</u>	<u>\$ 1,622,283</u>
Business-Type Activities:				
Buildings	\$ 32,889	\$ -	\$ -	\$ 32,889
Furniture and equipment	692,021	-	-	692,021
Water system	5,459,962	-	-	5,459,962
Sewer system	2,510,750	-	-	2,510,750
Totals at historical cost	8,695,622	-	-	8,695,622
Less accumulated depreciation	(5,297,843)	(286,170)	-	(5,584,013)
Business-type activities capital assets, net	<u>\$ 3,397,779</u>	<u>\$ (286,170)</u>	<u>\$ -</u>	<u>\$ 3,111,609</u>

Depreciation expense was charged to business-type functions as follows:

Water system	\$ 214,434
Sewer system	71,736
Total Depreciation Expense	<u>\$ 286,170</u>

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term debt at September 30, 2023.

Description	Interest Rates	Balance
Governmental-Type Activities		
Certificates of obligation , Series 2021	2.90%	\$ 1,790,000
Business-Type Activities		
Certificates of obligation , Series 2015	2.39%	300,000
		<u>\$ 2,090,000</u>

A summary of changes in long-term debt for the year ended September 30, 2023 is as follows:

	Amounts Outstanding 10/1/2022	Additions	Reductions	Amounts Outstanding 9/30/2023	Due in One Year
Governmental Activities:					
Revenue bonds - 2021	\$ 1,875,000	\$ -	\$ (85,000)	\$ 1,790,000	\$ 85,000
Totals	<u>\$ 1,875,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 1,790,000</u>	<u>\$ 85,000</u>
Business-Type Activities:					
Revenue bonds - 2015	\$ 370,000	\$ -	\$ (70,000)	\$ 300,000	\$ 70,000
Totals	<u>\$ 370,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ 300,000</u>	<u>\$ 70,000</u>

NOTE 6 – DEBT SERVICE REQUIREMENTS – BONDS AND CAPITAL LEASES

Debt service requirements for the bonds and certificates of obligation are as follows:

Year Ending	Series 2015		Series 2021		Total	
	Certificates of Obligation		Certificates of Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 70,000	\$ 7,170	\$ 85,000	\$ 28,998	\$ 155,000	\$ 36,168
2025	75,000	5,497	85,000	27,621	160,000	33,118
2026	75,000	3,705	90,000	26,244	165,000	29,949
2027	80,000	1,912	85,000	24,786	165,000	26,698
2028	-	-	170,000	23,409	170,000	23,409
2029-2033	-	-	900,000	74,439	900,000	74,439
2034-2035	-	-	375,000	9,153	375,000	9,153
Totals	<u>\$ 300,000</u>	<u>\$ 18,284</u>	<u>\$ 1,790,000</u>	<u>\$ 214,650</u>	<u>\$ 2,090,000</u>	<u>\$ 232,934</u>

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 7 – EMPLOYEE RETIREMENT SYSTEMS AND PLAN

Texas Municipal Retirement System (TMRS)

Plan Description

The City of Needville participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.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 benefit is calculated as if the sum of the employee's contribution, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

	<u>Plan Year 2021</u>	<u>Plan Year 2022</u>
Employee deposit rate	7%	7%
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	100 % Repeating, Transfers	100 % Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

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	12
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>19</u>
	44

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching contributions 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Needville were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Needville were 3.58% and 3.59% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$40,689, and were equal to the required contributions.

The funding status as of December 31, 2022, the most recent actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2021	\$ 3,514,845	\$ 3,768,060	93.28%	\$ 253,215	\$ 1,136,562	22.28%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (6.75%) in measuring the 2023 net pension liability.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Decrease 7.75%
City's proportionate share of the net pension liability	\$ 659,911	\$ 253,215	\$ (94,191)

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

At September 30, 2023, the City reported an liability of \$253,215 for its proportionate share of the TMRS's net pension liability. This liability reflects an addition for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the collective net pension liability	\$ 253,215
States's proportionate share of the net pension liability associated with the City	3,514,845
Total	<u>\$ 3,768,060</u>

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

The net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

At September 30, 2023, the City of Needville, Texas reported its proportionate share of the TMRS' 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 Experiences	\$ 23,632	\$ -
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	423,548	181,065
Contributions Made Subsequent to Measurement Date	30,943	-
Total	<u>\$ 478,123</u>	<u>\$ 181,065</u>

The following is deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense as follows:

Year Ended	Balance
2023	\$ 27,737
2024	67,559
2025	64,935
2026	105,884
2027	-
Thereafter	-
	<u>\$ 266,115</u>

At September 30, 2023, the City of Needville, Texas recognized pension expense of \$56,257 in the government – wide Statement of Activities.

Texas Municipal Retirement System (TMRS - Supplemental Death Benefits Fund)

Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

The member 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-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 retirees term life insurance during employees' entire careers.

The City of Needville Volunteer Firemen are covered by a separate pension plan, therefore they are not included in the Texas Municipal Retirement System plan.

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

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	3
Active employees	19
	<hr/> 34

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (4.05%) in measuring the 2023 net pension liability.

	1% Decrease 3.05%	Current Discount Rate 4.05%	1% Decrease 5.05%
City's proportionate share of the total OPEB liability	\$ 99,754	\$ 86,828	\$ 76,184

The net OPEB liability was measured as of December 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's contributions to the OPEB plan relative to the contributions of all employees to the plan for the period of October 31, 2022 through September 30, 2023.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

At September 30, 2023, the City of Needville, Texas reported its proportionate share of the TMRS' deferred/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 3,817
Changes in Actuarial Assumptions	3,272	24,249
Contributions Made Subsequent to Measurement Date	6,637	-
Total	<hr/> \$ 9,909	<hr/> \$ 28,066

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

The following is deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense as follows:

<u>Year Ended</u>	<u>Balance</u>
2023	\$ (7,510)
2024	(9,001)
2025	(8,283)
2026	-
2027	-
Thereafter	-
	<u>\$ (24,794)</u>

At September 30, 2023, the City of Needville, Texas recognized pension expense of \$(2) in the government – wide Statement of Activities.

NOTE 9 – ANALYSIS OF SPECIFIC DEPOSIT AND INVESTMENT RISKS

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

Credit Risk

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

Custodial Credit Risk

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

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

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

Concentration of Credit Risk

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

Interest Rate Risk

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

CITY OF NEEDVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Foreign Currency Risk

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

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property, workers compensation, health and liability insurance through commercial insurance carriers. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage during the previous year. At year end, the City did not have any significant claims.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from Grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The 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. The City is also subject to contingent liabilities for possible lawsuits that may be filed which, at year-end, have not been filed.

NOTE 12 – NEW PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following statements which will become effective in future years.

In June 2018, the GASB issued Statement No. 87, *Leases*. This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for periods beginning after December 15, 2022.

The City will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

NOTE 13 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through December 15, 2023 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Needville, Texas**Statement of Revenues, Expenditures and Changes in Fund Balances****Budget (GAAP Basis) and Actual - General Fund****For the Year Ended September 30, 2023**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 852,320	\$ 852,320	\$ 966,656	114,336
Sales taxes	850,000	850,000	1,081,155	231,155
CAD sales taxes	250,000	250,000	56,175	(193,825)
Charges for services	312,000	312,000	326,490	14,490
Franchise and local taxes	131,500	131,500	135,133	3,633
Fines and forfeitures	60,000	60,000	46,852	(13,148)
Licenses and permits	114,300	114,300	114,656	356
Investment income	5,500	5,500	112,366	106,866
Other	40,500	40,500	75,640	35,140
Total revenues	<u>2,616,120</u>	<u>2,616,120</u>	<u>2,915,123</u>	<u>299,003</u>
Expenditures				
General government				
Mayor and council	60,500	60,500	111,874	(51,374)
General government	1,375,312	1,375,312	1,432,141	(56,829)
Municipal court	37,700	37,700	26,406	11,294
Total general government	<u>1,473,512</u>	<u>1,473,512</u>	<u>1,570,421</u>	<u>(96,909)</u>
Public safety				
Police	752,078	752,078	769,219	(17,141)
Fire	15,300	15,300	-	15,300
Total public safety	<u>767,378</u>	<u>767,378</u>	<u>769,219</u>	<u>(1,841)</u>
Public works				
Streets and drainage	316,500	316,500	233,540	82,960
Total expenditures	<u>2,557,390</u>	<u>2,557,390</u>	<u>2,573,180</u>	<u>(15,790)</u>
Revenues over (under) expenditures	58,730	58,730	341,943	283,213
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(192,716)</u>	<u>(192,716)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(192,716)</u>	<u>(192,716)</u>
Net change in fund balance	<u>\$ 58,730</u>	<u>\$ 58,730</u>	149,227	<u>\$ 90,497</u>
Beginning fund balance			<u>3,060,951</u>	
Ending fund balance			<u>\$ 3,210,178</u>	

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

CITY OF NEEDVILLE, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (will ultimately be displayed)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability (asset)	0.0720416	-0.0745080	-0.0263324	-0.0109979	0.0673555
City's proportionate share of the net pension liability (asset)	\$ 253,215	\$ (280,983)	\$ (87,283)	\$ (33,708)	\$ 180,059
State's proportionate share of the net pension liability (asset) associated with the City	<u>3,514,845</u>	<u>3,771,177</u>	<u>3,314,667</u>	<u>3,064,936</u>	<u>2,673,263</u>
Total	<u><u>\$3,768,060</u></u>	<u><u>\$3,490,194</u></u>	<u><u>\$3,227,384</u></u>	<u><u>\$3,031,228</u></u>	<u><u>\$2,853,322</u></u>
City's covered payroll	\$1,136,562	\$1,068,887	\$ 968,993	\$ 925,965	\$ 868,935
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.28%	-26.29%	-9.01%	-3.64%	20.72%
Plan fidiciary net position as a percentage of the total pension liability	93.28%	108.05%	102.70%	101.11%	93.69%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
-0.0284068	0.0371257	0.0307272	-0.0444451
\$ (77,847)	\$ 89,094	\$ 69,412	\$ (101,090)
<u>2,740,431</u>	<u>2,399,795</u>	<u>2,258,973</u>	<u>2,274,492</u>
<u>\$2,662,584</u>	<u>\$2,488,889</u>	<u>\$2,328,385</u>	<u>\$2,173,402</u>
\$ 810,683	\$ 771,407	\$ 689,514	\$ 643,485
-9.60%	11.55%	10.07%	-15.71%
102.92%	96.42%	97.02%	104.65%

CITY OF NEEDVILLE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (will ultimately be displayed)

	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 40,689	\$ 41,900	\$ 40,795	\$ 38,798	\$ 35,973
Contributions in relation to the actuarially determined contribution	(40,689)	(41,900)	(40,795)	(38,798)	(35,973)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,136,562	\$ 1,068,887	\$ 968,993	\$ 925,965	\$ 868,935
Contributions as a percentage of covered payroll	3.58%	3.92%	4.21%	4.19%	4.14%

Notes to Schedule of Contributions:

Valuation Date: 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	20 years (longest amortization ladder)
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% 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.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 31,130	\$ 25,148	\$ 30,615	\$ 29,407
<u>(31,130)</u>	<u>(25,148)</u>	<u>(30,615)</u>	<u>(29,407)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$810,683	\$771,407	\$689,514	\$643,485
3.84%	3.26%	4.44%	4.57%

CITY OF NEEDVILLE, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (will ultimately be displayed)

	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
City's proportion of the net OPEB liability (asset)	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
City's proportionate share of the net OPEB liability (asset)	\$ 86,828	\$ 117,751	\$ 110,133	\$ 95,519	\$ 71,024	\$ 70,116
State's proportionate share of the net OPEB liability (asset) associated with the City	-	-	-	-	-	-
Total	<u>\$ 86,828</u>	<u>\$ 117,751</u>	<u>\$ 110,133</u>	<u>\$ 95,519</u>	<u>\$ 71,024</u>	<u>\$ 70,116</u>
City's covered-employee payroll	\$ 1,136,562	\$ 1,068,887	\$ 968,993	\$ 925,965	\$ 868,935	\$ 810,683
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.64%	11.02%	11.37%	10.32%	8.17%	8.65%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF NEEDVILLE, TEXAS
SCHEDULE OF CONTRIBUTIONS-OPEB
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (will ultimately be displayed)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially required contribution	\$ 5,569	\$ 5,131	\$ 4,651	\$ 3,889	\$ 3,389	\$ 3,486	\$ 849
Contributions in relation to the actuarially required contributor	<u>(5,569)</u>	<u>(5,131)</u>	<u>(4,651)</u>	<u>(3,889)</u>	<u>(3,389)</u>	<u>(3,486)</u>	<u>(849)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$1,136,562	\$1,068,887	\$968,993	\$925,965	\$868,935	\$ 810,683	\$771,407
Contributions as a percentage of covered payroll	0.49%	0.48%	0.48%	0.42%	0.39%	0.43%	0.11%

CITY OF NEEDVILLE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to the end of the current fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended at department and fund level only by approval of a majority of the members of the City Council. Amendments are presented to the Council at its regular meetings.

Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/department level. Budgeted amounts are as amended by the City Council. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

INTERNAL CONTROL AND COMPLIANCE

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TRLICEK & CO., P.C.

Certified Public Accountants

113 W. Colorado St.

P.O. Box 817

La Grange, TX 78945

(979) 533-0925

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 City Council
City of Needville, Texas

We have audited, 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, the financial statements of the governmental activities, the business – type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Needville, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Needville's basic financial statements, and have issued our report thereon dated December 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Needville, Texas' 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 of Needville, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Needville, Texas' 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Needville, Texas' financial statements are free of 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 under *Government Auditing Standards*.

Purpose of this Report

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

Talbot & Co., P.C.

La Grange, Texas
December 15, 2023