

**NOTICE OF MEETING PUBLIC MEETING
LORENA CITY COUNCIL
MONDAY, MARCH 20, 2023 - 6:30 P.M.
LORENA CITY HALL
107-A S. FRONTAGE ROAD, LORENA TEXAS**

THE PUBLIC WILL BE ABLE TO JOIN THE MEETING BY VIDEOCONFERENCE
AT THE FOLLOWING LINK <https://meet.goto.com/772506781> and/or join the conference
call at (254) 655-5400; GUEST PIN :2021

The City Council Meeting will be opened to the public. To mitigate the spread of
COVID-19, social distancing will be recommended.

Questions and comments on items listed on the agenda may be emailed no later than
NOON on the day of the meeting to the City Secretary Monica Hendrix via email to
mhendrix@lorenatx.gov

AGENDA

1. Call to Order/Roll Call.

2. Pledge of Allegiance

3. Citizens questions or comments.

At this time any person with business before the Council not scheduled on the agenda may speak to the Council. Comments are limited to three (3) minutes, and this time is not transferable. Under the Texas Open Meetings Act, the Council is prohibited from discussing, responding, or acting on any comments or items that have not been properly posted on the agenda. This forum is limited to a total of 30 minutes.

4. Approval of Minutes:

- a. February 27, 2023

5. Committee and Corporation Reports:

- a. Lorena Economic Development Corporation
No meeting
- b. Lorena Planning and Zoning Commission
No meeting

6. Notification to council of Criminal Justice Information Services (CJIS) audit update.

7. Discussion and possible action authorizing heating and A/C dual stage unit for an amount of \$14,000.00

8. Discussion of election contract with McLennan County Election Administration for the May 6, 2023 General Election.

9. Discussion and possible action accepting the 2022 Fiscal Year Audit that was presented on February 27, 2023.

10. Police Department Activity Report.

11. City Manager Report:

1. Community wide garage sale 04-15-2023 7am – 3pm McBrayer Park.
2. Roadster Travel Center breaking ground 1st week of April 2023 (tentatively).
3. Street bond public bid opening Thursday, April 13, 2023, 2pm (at Lorena City Hall).
4. Open staff positions within the city.
5. Year 1 of PCED training complete.

12. Future Agenda Items.

13. Adjourn

PURSUANT TO SECTION 551.127 OF THE TEXAS GOVERNMENT CODE, AND IN CONJUNCTION WITH THE GUIDANCE AND PROVISIONS PROVIDED BY THE GOVERNOR OF TEXAS IN THE DECLARATION OF DISASTER ENACTED MARCH 13, 2020, MEMBERS OF THE CITY COUNCIL MAY BE PARTICIPATING REMOTELY IN COMPLIANCE WITH THE TEXAS OPEN MEETINGS ACT, AS TEMPORARILY MODIFIED BY THE GOVERNOR.

In compliance with the American with Disabilities Act, the City of Lorena will provide reasonable accommodations for persons attending and/or participating in City Council meetings. The facility is wheelchair accessible, with handicap parking available at the side of the building. Requests for sign interpreters or special services must be received seventy-two (72) hours prior to the meeting by calling the City Secretary at 254-857-4641.

The Lorena City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above as authorized by the Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), and 551.086 (Economic Development).

PROCEDURES FOR CITIZEN PARTICIPATION AT MEETINGS

The meetings will be streamed live on the City of Lorena's Facebook page.

Citizens who wish to address the Council on any item on the agenda or under the hearing of visitors, must submit questions via email to the City Secretary Monica Hendrix @ mhendrix@lorenatx.gov or in person at Lorena City Hall at 107-A S. Frontage Road by NOON on the day of the meeting. Your comments will be read into the records during the meeting.

Council may not comment publicly on issues raised during citizen comments that are not listed on the agenda but may direct the City Manager to resolve or request the matter to be placed on a future agenda. Such public comments shall not include any "deliberation" as defined by Chapter 551 of the Government Code, as now or hereafter amended.

I, the undersigned authority, do hereby certify that the above Notice of Meeting of the governing body of the City of Lorena, Texas, was posted on the front door at the Lorena City Hall and the city website at 11:30 AM/PM on March 16, 2023.



Monica Hendrix-City Secretary

**NOTICE OF MEETING PUBLIC MEETING
LORENA CITY COUNCIL
MONDAY, FEBRUARY 27, 2023 - 6:30 P.M.
LORENA CITY HALL
107-A S. FRONTAGE ROAD, LORENA TEXAS**

THE PUBLIC WILL BE ABLE TO JOIN THE MEETING BY VIDEOCONFERENCE
AT THE FOLLOWING LINK and/or join the conference
call at (254) 655-5400; GUEST PIN :2021
The City Council Meeting will be opened to the public. To mitigate the spread of
COVID-19, social distancing will be recommended.

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NOON on the day of the meeting to the City Secretary Monica Hendrix via email to
mhendrix@lorenatx.gov

MINUTES

1. Call to Order/Roll Call.

Mayor Ross called the meeting to order at 6:33 p.m. Council members present were Mayor Tommy Ross, Mayor Pro tem Kelly Yarbrough, Jason Blanek, Emily McKenzie and Shane Phillips. Katrina George was absent.

City Staff present were Monica Hendrix, Scott Holt, Kyler Jones, Linda Klump, Kevin Neal and Peter Rivas.

2. Pledge of Allegiance

Mayor Ross led the Pledge of Allegiance and Kelly Yarbrough led the Texas Pledge.

3. Citizens questions or comments.

At this time any person with business before the Council not scheduled on the agenda may speak to the Council. Comments are limited to three (3) minutes, and this time is not transferable. Under the Texas Open Meetings Act, the Council is prohibited from discussing, responding, or acting on any comments or items that have not been properly posted on the agenda. This forum is limited to a total of 30 minutes.

No citizens spoke and no comments were received.

4. Presentation of 2022 Fiscal Year Audit

Katie King with JRBT- Jaynes, Reitmeier, Boyd and Therrell PC presented the 2022 fiscal year audit to the council. The notable items that went into the 2022 activity were the Debt Issuance of \$4.9 million Combination Tax and Revenue Bonds that was recorded in

the Capital Projects fund, and the Implementation of GASB 87, Leases that requires presenting right-of-use assets and liabilities on financial statements and there was no impact on the net position of the city.

JRBT's results of the audit:

- Unmodified Opinion
- In our opinion, the financial statements present fairly, in all material respects, the financial position as of September 30, 2022, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

King reported the Internal Controls and Compliance were reviewed and no material weaknesses were noted. JRBT also performed procedure on compliance with Public Funds Investment Act and state competitive bidding requirements and no material instances of noncompliance were noted.

5. Discussion and possible action on 2022 Racial Profile report.

Police Chief Scott Holt presented the 2022 Racial Profile report to council that was reviewed and approved by retired Police Chief Tom Dickson. There was no racial bias indicated based on the data analysis.

MOTION: Shane Phillips moved to approve the 2022 Racial Profile report presented.

SECOND: Emily McKenzie

FOR: Blanek, Yarbrough, McKenzie and Phillips

AGAINST: None

ABSENT: Katrina George

Motion carried.

6. Approval of Minutes:

a. January 23, 2023

MOTION: Kelly Yarbrough moved to approve the minutes.

SECOND: Jason Blanek

FOR: Blanek, Yarbrough, McKenzie and Phillips

AGAINST: None

ABSENT: Katrina George

Motion carried.

7. Committee and Corporation Reports:

a. Lorena Economic Development Corporation

Kelly Yarbrough reported that TxDOT has signed the Gateway Monument agreement and EDC can finally move forward with that project. The commissioners also made a recommendation for appointment of the vacant board member position, moving funds to a higher interest account, and discussed researching the blue sign program participation on I-35, researching high speed internet for the area and updating their strategic plan.

b. Lorena Planning and Zoning Commission

No meeting.

8. Discussion and possible action on appointment of Chris Low to the open seat 1 on the Lorena EDC Board.

Vice Chairman of EDC Brad Wetzel reported that Chris Low had previously applied for a place on the board. EDC commissioners and City Councilman Jason Blanek reached out to him again to see if he would be interested and he said yes. The other previous applicants

were also reached out to and two said no to the request and the other two did not respond to the request.

MOTION: Jason Blanek moved to approve Chris Low to the EDC Board.

SECOND: Emily McKenzie

FOR: Blanek, Yarbrough, McKenzie and Phillips

AGAINST: None

ABSENT: Katrina George

Motion carried.

9. Discussion and possible action on re-appointment of Mayor Tommy Ross as Lorena TIRZ #1 East Chairman for calendar year 2023.

Tommy Ross spoke and says he will be willing to serve another term on the TIRZ board.

MOTION: Shane Phillips moved to re-appointment of Mayor Tommy Ross as Lorena TIRZ #1 East Chairman for calendar year 2023.

SECOND: Kelly Yarbrough

SECOND: Emily McKenzie

FOR: Blanek, Yarbrough, McKenzie and Phillips

AGAINST: None

ABSENT: Katrina George

Motion carried.

10. Discussion and possible action on an application requesting the waiver of penalty and interest that has been applied to the property taxes of Mrs. Sara Coats who resides at 810 Springdale Lane.

Sara Coats spoke and explained she attempted to mail her property taxes on 1/31/2023 at the Hewitt post office. Coats stated when she walked into the post office there was no one at the counter so she dropped the payment in the outgoing box. Coats explained this was during the ice storm we had that week. A couple of weeks later she received a delinquency notice from McLennan County Tax office. When she contacted the tax office, she was told the envelope was not post marked for the 1/31/2023 and that she would need to go to each taxing entity and request a waiver for their penalty fees.

MOTION: Emily McKenzie moved to waive the penalty and interest fee of \$99.07 for Sara Coats property tax.

SECOND: Kelly Yarbrough

FOR: Blanek, Yarbrough, McKenzie and Phillips

AGAINST: None

ABSENT: Katrina George

Motion carried.

11. Discussion and possible action to create a policy establishing a date for posting the agenda prior to a council meeting, and the date in which council packets are delivered to the council members.

Kevin Neal explained the purpose of the agenda item is to see what council would like to do in regards to receiving the agenda before council meetings. Currently the council is receiving the packets on Friday afternoons before the meeting. Neal also wanted to know if council would like to see the complete packet on the website. Neal informed council that the law states the agenda must be posted minimum of 72 hours prior to the meeting. There was discussion on the benefits of getting the packet earlier for review since weekends are hectic for council. Consensus of the council was to have it on Thursdays.

After further discussion it was decided the cut-off date for agenda request will remain at 5:00 on Wednesday before the meeting and the agenda will be posted by noon on Thursday before the meeting. Council also discussed the information in the packet being on the website and it was decided to put the packet on the website.

MOTION: Shane Phillips moved to have the cut-off for the agenda by citizens and staff on the Wednesday before the meeting with the agenda and packet information be posted/published by Thursday at noon.

SECOND: Jason Blanek

FOR: Blanek, Yarbrough, McKenzie and Phillips

AGAINST: None

ABSENT: Katrina George

Motion carried.

12. Police Department Activity Report.

There were 335 Calls by Type, 7 arrest violations with 6 total arrest and 362 citations issued in January 2023.

Chief Scott Holt says the new cadet is doing well in his training at the MCC police academy. Holt says everything is in good working order at this time.

13. City Manager Report:

a. Update of Street Bond Project

Neal says the project will let in April and will be posted to the website and official newspaper and CivCast for advertising the bid package.

b. Year 1 of PCED/CDI training 03-06-2023 – 03-10-2023.

Neal will attend required Professional Community Economic Development training as a part of his contract. The training will be held in the Woodlands at the Loan Star College.

14. Future Agenda Items.

15. Executive Session: In accordance with Texas Government code, sections 551.074(a)(1), Personnel Matters, to deliberate the appointment, employment, evaluation, or duties of: Council convened into executive session at 7:21 p.m.

a. City Manager

b. Police Chief

16. Reconvene into open session and act as deemed appropriate of the City Council's deliberation regarding: Council reconvened into regular session at 7:42 p.m.

a. City Manager

No action taken

b. Police Chief

MOTION: Jason Blanek moved that the City Council ratify the language of the employment agreement negotiated between the City Manager and the Chief of Police as authorized in accordance with City Ordinance 2010-115-01.

SECOND: Kelly Yarbrough

FOR: Blanek, Yarbrough, McKenzie and Phillips

AGAINST: None

ABSENT: Katrina George

Motion carried.

17. Adjourn

Due to not further business the meeting adjourned at 7:44 p.m.

These minutes were approved this 20th day of March 2023.

Tommy Ross, Mayor

Attest:

Monica Hendrix, City Secretary

Subject: Notification to council of Criminal Justice Information Services (CJIS) audit update.

Background Information: On January 23, 2023, The Lorena Police Department received notification of a CJIS audit which was performed by the Department of Public Safety. CJIS audits are performed on all law enforcement agencies every three (3) years. The audit consisted of written questions, supplying the state with supporting documentation, and a virtual audit administered by a representative with DPS CJIS security team.

Current Findings: On March 10, 2023, the Lorena Police Department received official notice from the State of Texas that the Lorena Police Department was found to be in compliance with all CJIS security policy requirements. It was also noted by the representative administering the audit that the Lorena Police Department was well organized and presented all audit information very well.

Recommendation: Special thanks to Program Manager, Tom Dickson and Records Supervisor, Jennifer Herrin. Tom provided guidance through the process and Jennifer spent countless hours gathering and organizing all supporting documents.



March 10, 2023

Dear Tom Dickson:

The DPS CJIS Security Office audited the Lorena Police Department on March 9, 2023. Based on the security audit results, the agency was found to be compliant with the CJIS Security Policy requirements.

If there were any items that were found to be out of compliance during the audit process, but were corrected, those items will be listed with relevant details in the Notes section of the online audit question checklist.

The agency's next security audit will be scheduled in approximately three (3) years.

If you have any questions regarding the security audit, please contact James Buggs, CJIS Technical Auditor, at 512-424-7794.

The DPS CJIS Security Office commends the agency for its audit results and encourages the agency to continue the efforts to maintain full compliance.

Sincerely,

Michelle Farris
Chief, Crime Records Division
Texas Department of Public Safety
Michelle.Farris@dps.texas.gov
512-424-7659

Sent by:

James Buggs
CJIS Technical Auditor II
Crime Records Division,
Compliance and Training Bureau
Texas Department of Public Safety
512-424-7794 Office
512-424-5599 Fax
James.Buggs@dps.texas.gov
<https://www.dps.texas.gov/securityreview>

Subject: Discussion and possible action authorizing heating and A/C dual stage unit for an amount of \$14,000.00.

Background Information:

On or about January 24, 2023 it was discovered by City staff that there was some sort of mechanical issue with the heating and A/C unit that provides climate control for the primary multi-use area of City Hall. Rohde Heat and Air was called for service, and it was determined that one of the compressors of our dual stage unit had gone out. This compressor was not repairable. We received a quote from Rohde for the replacement of both heat and air units to include inside and outside units. Both units inside and out had to be replaced due to the fact of the age of the units. A new outside unit would not be compatible with the old inside units due to the newer more environmental friendly freon that is used. Because this is a dual stage unit and both units work in tandem all units inside and out had to be replaced. Due to the amount of the quote, it required the City to get three competitive bids from qualified professionals. Please see the quotes that are included as additional information with this write-up.

Current Finding:

After receiving the additional quotes on or about February 23, 2023. The decision was made to progress with Rohde Heat and Air based on the quotes. All three quotes were remarkably close in price with only about \$700.00 difference in price range. City staff considered this to be an unbudgeted emergency repair. The unpredictable Texas weather could lead to a need to switch from heat one day and A/C the next, and running the dual stage unit without both units working properly could lead to further damage that staff felt was an unnecessary risk. In accordance with our budget and auditing process the City Manager may authorize the unbudgeted emergency repair, and bring it before council for approval at the council meeting following the repair. This is why there is action necessary for approval. The funds for this unbudgeted expense will come from the general fund capital project fund.

Recommendation:

City staff recommends that City Council approve the unbudgeted emergency expenditure of \$14,000.00 to Rohde Heat and Air for the replacement of the twin 4-ton dual stage heat and A/C system for the primary multi-use area of the City Hall building.



P O BOX 7463 WACO, TEXAS 76714-7463 254-772-5932 STATE LICENSE # TACLB008595E

AIR CONDITIONING & HEATING PROPOSAL

DATE Feb. 3, 23
CUSTOMER LORENA CITY HALL
ADDRESS _____
TELEPHONE _____

EQUIPMENT:

CONDENSING UNIT:

MODEL # Tempstar
COOLING CAPACITY 4 TON
EFFICIENCY RATING 15 SEER

10 year parts

1 year labor

AIR HANDLER:

MODEL # Tempstar
COOLING CAPACITY 4 TON
HEATING CAPACITY 20 KW
EFFICIENCY _____

GAS FURNACE:

MODEL # _____
HEATING CAPACITY _____ BTU

COOLING COIL:

MODEL # _____
COOLING CAPACITY _____ TON
EFFICIENCY _____

THERMOSTAT

✓

FILTER BASE

✓

OTHER WORK Price is for 2 4 Ton Systems

TOTAL PRICE	\$ <u>13,000.00</u>
SALES TAXES	\$ <u>1072.50</u>
UPGRADE ALLOWANCE	< _____ >
NET	\$ <u>14,072.50</u>

LANE SERVICE



City Of Lorena

February, 6 2023

RE: Unit #5 Replacement

107 S Frontage Rd

Lorena, TX 76655

We are pleased to submit our **PROPOSAL** as follows to provide all labor, materials, tools, equipment, and supervision necessary to complete the above referenced project based on the following drawings, specifications, and scope clarification:

Estimated Total
\$14678.00

Scope of Work and Clarifications

Our bid includes:

- **MECHANICAL**

- Demolish and dispose of existing 4Ton units.
- Installation of new York 4 ton units.
- Electrical disconnect and reconnect.
- Natural gas piping, disconnect and reconnect.
- Condensate drain disconnect and reconnect.
- Heat load calculation for area serviced.
- Permit fees.
- Materials required for installation.
- Insulation of piping as needed.
- Test, Check, and Start UP by Lochridge-Priest Inc.
- Procurement and installation of the following equipment:
 - 2 York 4 Ton Condensers
 - 2 York 4 Ton Air Handlers
 - 2 Electric Heat Kits

Job Specific Exclusions:

1. Patching and painting of any kind.
2. Rooftop work of any kind.
3. Electrical power wiring.
4. Any type of abatement.
5. Controls management system.
6. Duct work outside of disconnect and reconnect.
7. Overtime work.
8. Natural gas piping outside of disconnect and reconnect to existing system.
9. Condensate drain piping outside of disconnect and reconnect
10. Sales Tax Not Included in Price.

Temple

3149 Kegley Ln, Temple, TX 76502
254.773.0003

Waco-Corporate Office

2901 E. Industrial Blvd, Waco, TX 76705
254.772.0670

Corsicana

731 Ferguson Dr. Corsicana, TX 75110
903.872.8418

Fort Worth

5001 N Freeway, Suite 119, Fort Worth TX, 76100
254.772.0670

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- Ductwork to be fabricated as follows:
 - All ductwork to be fabricated in accordance with the drawings, notes, specifications, and the latest SMACNA HVAC Duct Construction Standards - metal and flexible.
 - All supply ductwork upstream of the FPB's/VAV's shall be constructed to a positive 4" wg
 - All supply ductwork downstream of the FPB's/VAV's shall be constructed to a positive 2" wg
 - All return and exhaust ductwork to be fabricated to a positive or negative 2" wg
 - All round ductwork for this project shall be fabricated with spiral lock seams
 - All duct work shall be constructed using galvanized material with fittings the same gauges as ductwork unless otherwise noted.
 - Ductwork shipped to the jobsite cleaned and sealed. Open ends to be kept sealed during construction.
 - Ductwork to be insulated per plans and specifications
- Procurement and installation of the following mechanical piping systems:
 - Piping systems to be insulated per plans and specifications
- Procurement and installation of Individual Thermostats / Energy Management System for controls and Instrumentation
- Insulation Associated with the work of the trade (per plans and specifications)
- Provide test and balance by a Certified Agent.
- One (1) year warranty
- Hoisting for mechanical scope of work
- Working with Commissioning Agent (Agent provided by others)
- Provide Start-up.
- Validation under general contractor building permit ONLY

CLARIFICATIONS TO OUR BID:

1. This proposal is subject to:
 - A mutually agreeable subcontract and/or purchase order.
 - A copy furnished of all contract documents.
 - A review of final plans and specifications.
 - This proposal letter to be incorporated into this Contract.
 - Builders risk insurance to be carried by the owner and Lochridge Priest and our subcontractors to be named as additional insured.
2. This proposal is valid for thirty (30) days. In the event project is not awarded by the end of 30 days we will review our costs and adjust bid price if necessary. (With exception to material cost we reserve the right to review and revise material cost at any time up until the project is awarded)
3. Payment Terms: 100% of labor and materials delivered to the jobsite or stored / prefabricated at Lochridge Priest or our subcontractors' / vendors office / warehouse, based on monthly estimates, to be paid within 30 days from our invoice date. Access will be available for Owner or Owner's representative for inspection.
4. This proposal is based on performing work during normal working hours and at normal wage rates paid by Lochridge Priest. Premium time must be authorized prior to execution.
5. Lochridge Priest reserves lien rights. Any provision in the contract and/or purchase or agreement waiving our lien rights in favor of the construction lender shall not include lien rights on re-movables.
6. This proposal is based on the assumption, that, the General Contractor or Owner will provide all electronic files in a timely manner in AutoCAD format at no cost to Lochridge Priest. If Lochridge Priest is required to create the AutoCAD drawings from scratch, we reserve the right to receive additional compensation for this cost.

Temple

3149 Kegley Ln, Temple, TX 76502

254.773.0003

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2901 E. Industrial Blvd, Waco, TX 76705

254.772.0670

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731 Ferguson Dr. Corsicana, TX 75110

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LOCHRIDGE PRIEST

MECHANICAL • ELECTRICAL • PLUMBING

7. Lochridge Priest requires 48-hour notification of possible back charges so corrective action can be taken before the charge is incurred. Only charges authorized in writing by Lochridge Priest will be accepted.
8. Lochridge Priest shall be under no obligation to perform change order work without a written change order for a mutually agreed price. We reserve the right for time extension and impact costs on any change orders.
9. Lochridge Priest will not be bound by any contract documents, copies of which are not furnished to us.
10. Lochridge Priest will self-perform all warranty work with our experienced service technicians per the warranty terms per the project construction documents. Warranty work shall be performed during normal working hours Monday through Friday. Lochridge Priest shall be given 24 hours' notice for warranty issues and will respond within 48 hours of notice. Lochridge Priest does not provide warranty services for equipment furnished by others. Warranty service typically does not cover maintenance activities required by the manufacturer. Warranty service shall not be provided for equipment that is not maintained, or is abused, or has been tampered with.
11. All equipment furnished by others must comply with all required codes and be supplied in a timely manner. This equipment must be supplied with all necessary accessories, i.e., fuses, lamps, thermal overloads, circuit breakers, fasteners, sealants, installation instructions and drawings, etc.
12. Proposal is based on adequate lay down area for materials and equipment being available.

Thank you for the opportunity to provide you with this estimated proposal. We would appreciate being able to discuss our pricing and project approach with you in person. Should you select us to partner with you on this project, we will commit every resource to make this project mutually successful. In the meantime, please do not hesitate to call with any questions and/or concerns.

Sincerely,

Shelton Butler
Commercial Service Sales Rep
Office: 254-492-8176
Cell: 254-652-4936

Signature: _____

Date: _____

Temple
3149 Kegley Ln, Temple, TX 76502
254.773.0003

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TACLA24360C • TACLA28343C • TACLA28379C • TACLB24969E • M-41036 • TECL32275

Subject: Discussion of election contract with McLennan County Election Administration for the May 6, 2023 General Election.

Background Information: In January 2023 council approved the ordinance calling for the May 6, 2023 General Election and agreeing to contract with the McLennan County Elections administration. In this agreement and ordinance, the city chose to hold a joint election with other entities in McLennan County.

Current Finding: Due to Lorena ISD cancelling their election due to no opposition on the ballot, the city will be responsible for the total cost of the election day polling place located at First Baptist Church Lorena. All other cost associated with the election are split between the other entities holding an election. The city budgeted \$2000.00 for the election expenses and the total cost will be \$4281.48.

Staff is informing council of the overage in the budgeted line item.

THE STATE OF TEXAS

COUNTY OF MCLENNAN

CONTRACT FOR ELECTION SERVICES BETWEEN THE MCLENNAN COUNTY ELECTION ADMINISTRATION DEPARTMENT AND THE CITY OF LORENA

THIS CONTRACT made by and between the City of Lorena, acting by and through its City Council, hereinafter referred to as the "City," and Jared Goldsmith, Elections Administrator of McLennan County, Texas, hereinafter referred to as the "Contracting Officer," and by authority of Section 31.092 (a), Texas Election Code for the conduct and supervision of the May 6, 2023 Joint General Election for the selection of elected officials for the full term of office of two (2) years for Mayor and two (2) City Council positions.

THIS CONTRACT is subject to the approval of all participating parties and shall be binding on said parties upon written approval.

WITNESSETH:

WHEREAS, the City is holding an election for the selection of elected officials for the full term of office for Mayor and two (2) City Council positions (at the expense of the City) on May 6, 2023; and

WHEREAS, the voting precincts of the City which lie within the boundaries of the City, have been established by the City as their voting precincts; and

WHEREAS, the Vote Centers in the Joint General Election are the Election Day voting places for the City; and

WHEREAS, McLennan County conducted a public hearing and Commissioners Court approved the Designation of "Successful Countywide Election Day Polling Places Program" for McLennan County on January 27, 2015, moving forward pursuant to Texas Election Code, Section 43.007. On February 3, 2015, the Texas Secretary of State's Office certified that McLennan County is designated as "successful" and is now authorized to continue to hold all elections using Election Day Countywide Polling Places (Vote Centers). The City agrees to utilize the list of Countywide Election Day Polling Places (Vote Centers) attached to this contract; and

WHEREAS, the County owns the Hart InterCivic Verity voting system which has been duly approved by the Secretary of State, pursuant to the Texas Election Code, (Section 122.031-122.039, Section 122.091); and

WHEREAS, the City desires to use the County's voting system in their elections and to compensate the County for such use and to share in certain other expenses connected with such elections in accordance with the provisions of Section 31.098 of the Texas Election Code; and

NOW, THEREFORE, in consideration of the mutual covenants, agreements and benefits to the parties, IT IS AGREED as follows:

I.

In all of the City's voting precincts, the Contracting Officer shall conduct the City's election in accordance with this contract. The City shall bear the full cost or pay a pro-rata share of the voting centers and election judges, alternates and clerks, if applicable, to be used for the election.

II.

Hart InterCivic's Verity voting system, owned by the County, shall be used for the City's election.

III.

The City agrees to appoint the Contracting Officer as the Clerk for Early Voting and shall furnish wording on the ballots and election order necessary for Early Voting in the election to be held at the expense of the City.

The City agrees that the only polling sites available for contracting entities are the five (5) Early Voting Sites and thirty-four (34) Election Day Vote Centers that the County has established/pre-approved.

The City agrees that the shared locations for Early Voting will be the McLennan County Elections Administration Office, located in the Records Building at 214 North 4th Street, Suite 300, Waco, TX 76701; the Hewitt City Hall/Library, located at 200 Patriot Court, Hewitt, TX 76643; the West Waco Library/ Genealogy Center, located at 5301 Bosque Boulevard, Waco, TX 76710; and the Waco Multi-Purpose Community Center, located at 1020 Elm Avenue, Waco, TX 76704.

The above-mentioned wording on the ballot(s) and election order(s) shall be delivered to the Elections Administrator upon completion of the ballot drawing for a place on the ballot prior to the commencement of Early Voting in the election to be held at the expense of the City. The City shall bear the full cost or pay a pro-rata share, if applicable, for the Early Voting locations' personnel, at an hourly rate of \$12.00 and an overtime rate of \$18.00 per hour for Presiding Judges and Alternate Judges and an hourly rate of \$10.00 and an overtime rate of \$15.00 per hour for Clerks and a \$25.00 pick-up and delivery fee for Early Voting supplies.

The City will forward any requests received for a ballot by mail to the McLennan County Elections Administrator for processing. The City shall pay to the County the actual cost incurred for materials and postage for the distribution of ballots by mail.

The Contracting Officer shall provide to the City one (1) copy of the Early Voting report via email on a daily basis and a cumulative final Early Voting report following the election.

IV.

The Contracting Officer shall have the City's sample ballots printed, to cover the City's election, in accordance with Texas Election Code, Section 124.004. In all of the City's voting precincts, which lie within the boundaries of the City, the ballots shall include the specified contests for the City.

V.

In all instances covered by Article I of this contract, the Contracting Officer shall cause the Hart InterCivic Verity voting equipment to be delivered to the Election Day voting places and Early Voting places at least one (1) hour before the time set for opening the polls in each voting precinct, pursuant to Texas Election Code, Sections 125.001, 125.004, 125.061, 127.032-.065.

VI.

The City shall bear the full cost of the rent or pay a pro-rata share, if applicable, for all voting places contemplated by Article I of this contract.

VII.

The City shall bear the full cost or pay a pro-rata share, if applicable, for any equipment as deemed necessary and/or desirable for the holding of said election and cause same to be delivered to the voting places of the City.

VIII.

The City shall bear the full cost or pay a pro-rata share, if applicable, for the employment and/or use of such personnel as the Contracting Officer deems necessary or desirable to prepare for and conduct Early Voting.

IX.

The City shall bear the full cost or pay a pro-rata cost for the employment and/or use of such personnel as the Contracting Officer deems necessary to program and operate the automatic tabulating equipment in accordance with Texas Election Code, Sections 124.066, 127.001-.006, 127.121-122.

X.

The City shall appoint, bear the full cost of or pay a pro-rata share for the Presiding Judges and Clerks in the voting precincts, which lie within the limits of the City, including the cost for the election personnel to attend an election school held by the designated Contracting Officer for the training of Election Day Judges and Alternate Judges pursuant to the Texas Election Code, Sections 32.091 - .093 and 271.013, for their services in connection with the election to be held at the expense of the City. The election school will not exceed four (4) hours in length. Election Day personnel will be compensated at an hourly rate of \$12.00 for Presiding Judges and Alternate Judges and an hourly rate of \$10.00 for Clerks and a \$25.00 pick-up and delivery fee for Election Day supplies.

The Contracting Officer shall appoint the Presiding Judge and Clerks of the Early Voting Ballot Board to process Early Voting results pursuant to Texas Election Code, Sections 87.001 - .025, 87.101, and 87.103. The City shall pay a pro-rata cost for the Presiding Judge and Clerks of the Early Voting Ballot Board.

XI.

The Contracting Officer will provide the preparation of programs and test materials for tabulation of voting equipment and of ballot by mail materials, supervision of handling and disposition of election returns and preparation of the tabulation for the official canvass in accordance with Tex. Elec. Code, Section 31.094.

XII.

The Contracting Officer will provide advisory services in connection with decisions to be made and actions to be taken by the responsible parties of the City.

XIII.

The City shall pay to the County an Administrative Fee of ten (10) percent of the total amount of the contract for administering the election.

XIV.

It is understood that the County will incur costs and expenses in connection with the making of arrangements and preparations for the election, and that in the event the election to be held at the City is enjoined or canceled or if for any reason whatsoever the City shall decide not to proceed with the election to be held at the expense of the City or if the date of the election to be held by the respective parties is postponed or otherwise changed, the City shall be obligated to pay the County for the amount specified in Article XIII of this contract, which is agreed to be a fair and reasonable estimate of the costs and expenses incurred, or to be incurred, by the County in making such arrangements and preparations and the loss of damage to be sustained by the County in such event.

XV.

In connection with the performance of this contract, neither McLennan County nor the Administrator shall be liable to third parties for any default of the City in connection with the holding of the joint election, including the failure by such entities to pay any expenses hereunder, and such Entities shall not be liable to third parties for any default of the Administrator in connection with the holding of the joint election.

XVI.

Except as herein expressly provided otherwise, each party hereto shall do all things that may be required in connection with the election to be held at its expense. The City shall be responsible for the preparation of election resolutions and other pertinent documents for the adoption or execution by the proper officer of said party, and no party hereto shall have the responsibility or duty in connection with such preparations by any other party thereto. The Contracting Party will prepare the Joint Notice of Election and submit the documents to the entities for execution by the proper officers. The City shall likewise be responsible for posting or publication of election notices, and no party hereto shall be responsible for the posting or publication by any other party hereto.

XVII.

It is understood that to the extent space is available that other cities and political subdivisions may wish to participate in the use of the above-mentioned election equipment and voting places, and it is agreed that the Contracting Officer may contract with such other cities or political subdivisions for such purposes and that in such event there may be an adjustment of the pro-rata share to be paid to the County by the City under this contract.

XVIII.

It is estimated that the City's obligation there under shall not exceed \$4,281.48 and the City agrees to pay a deposit of fifty (50) percent of said amount to McLennan County for an amount of \$2,140.74 within five (5) days after the City's execution of this contract. The exact amount of the actual cost of the City's obligation hereunder shall be calculated after the May 6, 2023 Joint General Election, and if the amount of the City's obligation exceeds the amount deposited, then, in the event, the City shall pay to McLennan County the balance due within thirty (30) days after the receipt of the bill from the Contracting Officer detailing actual costs. However, if the amount of the City's obligation is less than the amount deposited, then and in that event, McLennan County shall refund to the City the excess amount paid within thirty (30) days after a final bill detailing the cost of the election has been provided to the City.

In TESTIMONY HEREOF, the contract, is multiple originals all of equal force, has been executed on behalf of the parties hereto as follows, to wit:

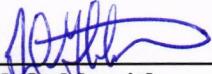
- a) It has on the 7th day of March, 2023 been executed on behalf of McLennan County by the Elections Administrator, pursuant to the Texas Election Code, so authorizing;
- b) It has on the _____ day of _____, 2023 been executed on behalf of the City by its Mayor, pursuant to the authority of the City Council, so authorizing;

ATTEST:

City of Lorena

By: _____
Mayor, City of Lorena

CONTRACTING OFFICER


Jared Goldsmith
Elections Administrator, McLennan County

Subject: Discussion and possible action accepting the 2022 Fiscal Year audit the was presented on February 27, 2023.

Background Information: In February 2023 council was presented the 2022 Fiscal Year audit completed by JRBT.

Current Finding: The action item to accept the audit was inadvertently left off the February agenda.

Recommendation: Staff is requesting council to accept the audit for transparency.

City of Lorena, Texas
Financial Statements and
Supplementary Information
September 30, 2022
(With Independent Auditor's Report Thereon)

City of Lorena, Texas

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City of Lorena, Texas

Current Elected Officials and Staff Contacts

September 30, 2022

Mayor Tommy Ross

Mayor Pro Tem Kelly Yarbrough

Alderman Katrina George

Alderman Shane Phillips

Alderman Jason Blanek

Alderman Emily McKenzie

City Manager Kevin Neal

City Secretary Monica Hendrix

Finance Officer Linda Klump

INDEPENDENT AUDITOR'S REPORT

The Mayor and Honorable Members of the City Council
City of Lorena, Texas:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lorena, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lorena, Texas as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vi through xii, the schedules of changes in the net pension liability and related ratios and schedule of pension contributions on pages 37 and 38 and the schedules of changes in the total OPEB liability and related ratios and employer contributions on pages 39 and 40 be presented to supplement the basic financial statements. Such information, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 41 through 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Jaynes, Reitmeier, Boyd, and Thewell, P.C.

January 25, 2023

Management's Discussion and Analysis

The management of the City of Lorena (the “City”) offers the following overview and analysis of the financial statements and financial activities for the fiscal year ending September 30, 2022.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$6,740,495, an increase of \$485,810 from prior year. Of the \$6,740,495, \$4,060,742 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of 2022, the City's governmental funds reported combined ending fund balances of \$8,117,284, an increase of \$5,014,017 in comparison with the prior year.
- During the fiscal year, the City issued \$4,930,000 in combination tax and revenue certificates of obligation.
- At the end of 2022, unassigned fund balance for the general fund was \$697,912, or 49.6% of total 2022 general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is either improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property tax, sales tax, franchise tax, and fine revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, and streets and parks. The business-type

activities of the City include a water distribution operation and wastewater treatment services and sanitation services.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary Funds. The City maintains one type of proprietary fund – an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water distribution operations and wastewater treatment services and sanitation services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer fund and the sanitation fund.

The basic proprietary fund financial statements can be found on pages 7 through 9 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 36 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's

financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$6,740,495 at the close of the most recent fiscal year.

City of Lorena's Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 8,350,121	3,152,551	3,658,252	3,199,178	12,008,373	6,351,729
Capital assets, net	1,067,116	874,404	5,899,892	6,300,968	6,967,008	7,175,372
Total assets	<u>9,417,237</u>	<u>4,026,955</u>	<u>9,558,144</u>	<u>9,500,146</u>	<u>18,975,381</u>	<u>13,527,101</u>
Total deferred outflows of resources	<u>64,071</u>	<u>62,042</u>	<u>13,306</u>	<u>16,000</u>	<u>77,377</u>	<u>78,042</u>
Current liabilities	248,837	59,664	574,196	373,748	823,033	433,412
Noncurrent liabilities	9,932,485	5,059,785	1,370,000	1,790,757	11,302,485	6,850,542
Total liabilities	<u>10,181,322</u>	<u>5,119,449</u>	<u>1,944,196</u>	<u>2,164,505</u>	<u>12,125,518</u>	<u>7,283,954</u>
Total deferred inflows of resources	<u>156,527</u>	<u>51,847</u>	<u>30,218</u>	<u>14,657</u>	<u>186,745</u>	<u>66,504</u>
Net position:						
Net investment in capital assets	(3,213,913)	(3,276,469)	4,529,892	4,538,539	1,315,979	1,262,070
Restricted	711,462	463,221	652,312	649,359	1,363,774	1,112,580
Unrestricted	<u>1,645,910</u>	<u>1,730,949</u>	<u>2,414,832</u>	<u>2,149,086</u>	<u>4,060,742</u>	<u>3,880,035</u>
Total net position	<u>\$ (856,541)</u>	<u>(1,082,299)</u>	<u>7,597,036</u>	<u>7,336,984</u>	<u>6,740,495</u>	<u>6,254,685</u>

The City has investments in capital assets, net of related debt of \$1,315,979 at September 30, 2022 – an increase of \$53,909 from the prior year, primarily due to capital additions of machinery and equipment for general government use and a new well pump offset by current year depreciation. The City decided not to report general infrastructure assets acquired prior to October 1, 2003 (as permitted when Governmental Accounting Standards Board Statement No. 34 was adopted). The amount of unreported infrastructure is not currently determinable. The City reports newly acquired or constructed general infrastructure assets after October 1, 2003 in the statement of net position in the period they acquire or construct those assets.

Approximately \$1,363,774 of the City's net position at September 30, 2022 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net position of \$4,060,742 or *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

City of Lorena's Statements of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 404,367	301,712	2,271,225	1,914,013	2,675,592	2,215,725
Capital grants and contributions	61,887	142,097	-	-	61,887	142,097
General revenues:						
Property taxes	747,149	712,495	-	-	747,149	712,495
Sales taxes	296,157	284,390	-	-	296,157	284,390
Franchise taxes	139,176	125,242	-	-	139,176	125,242
Unrestricted investment earnings	30,704	1,961	10,892	2,491	41,596	4,452
Loss on disposal of capital assets	-	-	-	(8,047)	-	(8,047)
Miscellaneous	286,333	96,467	-	-	286,333	96,467
Total revenues	<u>1,965,773</u>	<u>1,664,364</u>	<u>2,282,117</u>	<u>1,908,457</u>	<u>4,247,890</u>	<u>3,572,821</u>
Expenses:						
General government	602,841	571,986	-	-	602,841	571,986
Public safety	818,714	733,235	-	-	818,714	733,235
Streets and parks	90,948	85,034	-	-	90,948	85,034
Interest and other charges	335,012	163,383	-	-	335,012	163,383
Water and sewer	-	-	1,769,434	1,606,868	1,769,434	1,606,868
Sanitation	-	-	145,131	135,207	145,131	135,207
Total expenses	<u>1,847,515</u>	<u>1,553,638</u>	<u>1,914,565</u>	<u>1,742,075</u>	<u>3,762,080</u>	<u>3,295,713</u>
Increase in net position before transfers	118,258	110,726	367,552	166,382	485,810	277,108
Transfers	<u>107,500</u>	<u>107,100</u>	<u>(107,500)</u>	<u>(107,100)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>225,758</u>	<u>217,826</u>	<u>260,052</u>	<u>59,282</u>	<u>485,810</u>	<u>277,108</u>
Net position, beginning of year	<u>(1,082,299)</u>	<u>(1,300,125)</u>	<u>7,336,984</u>	<u>7,277,702</u>	<u>6,254,685</u>	<u>5,977,577</u>
Net position, end of year	<u>\$ (856,541)</u>	<u>(1,082,299)</u>	<u>7,597,036</u>	<u>7,336,984</u>	<u>6,740,495</u>	<u>6,254,685</u>

The increase in net position of governmental activities before transfers of \$118,258 is an increase of \$7,532 from prior year. The variance is primarily the result of approximately \$103,000 in receipts from the United States Department of Treasury as part of an equitable sharing agreement of funds obtained from a police department case and increases to investment earnings due to improved market conditions in 2022. These increases were offset by reductions in capital grants and contributions of approximately \$80,000 for one-time grant funding in 2021 that was not repeated and increases to various expenses as a result of increases to repair and maintenance costs and overall inflation impacts on costs across the City. The increase in net position before transfers of business-type activities of \$367,552 is an increase of \$201,170 from the comparable amount in 2021. The variance is primarily the result of increases in charges for services due to increased water rates.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *government funds* is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may be a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of 2022, the City's general fund reported an ending fund balance of \$1,300,284, an increase of \$260,534 in comparison with the prior year. Of this amount, \$697,912 constitutes an *unassigned fund balance*, which is available for spending at the government's discretion.

The capital projects fund and debt service fund reported an increase in fund balance of \$4,886,551 and \$2,176, respectively. Capital projects fund increases were the result of a bond issuance in the current year which is discussed further in the Long-Term Debt section below. The TIRZ debt service fund had no change in fund balance. The TIRZ fund reported a decrease in fund balance of \$135,244, due primarily from a transfer out of \$213,343 to the TIRZ debt service fund for interest payments made. Additionally, the TIRZ fund received \$35,000 in refundable contract proceeds in 2022 compared to \$30,000 received in 2021.

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

Unrestricted net position of the water and sewer fund at the end of the year amounted to \$2,190,924. Net position for the water and sewer fund increased by \$216,252 during 2022. The change is the result of increases in water rates and an increase in expenses due to higher costs for services.

Unrestricted net position of the sanitation fund at the end of the year amounted to \$223,908. Net position for the sanitation fund increased \$43,800 from prior year, resulting primarily from a decreases in total expenses incurred for repairs on garbage trucks in 2022 compared to those in 2021.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget. During the year, sales and franchise tax revenues exceeded budgetary estimates due to increased activity from retailers and service providers. Additionally, miscellaneous revenues increased approximately \$390,000 for receipts from the United States Department of Treasury as part of an equitable sharing agreement of funds obtained from a police department case that was settled. Expenditures for general government exceeded appropriations by \$175,345 due primarily to an annual transfer of 90% of general fund net income to the capital projects fund as authorized by the City Council. For the year ended September 30, 2022, that transfer totaled \$151,883.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$6,967,008 (net of accumulated depreciation) and is a decrease of \$208,364 from the prior year, primarily due to current year depreciation of \$651,139 offset by several capital additions of which the largest included a new well pump, a mini excavator, a new vehicle, and equipment for the police department. The City has also begun plans and evaluations for the development of streets projects in connection with the bond issuance discussed below. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and water and sewer facilities.

City of Lorena's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 21,006	21,006	14,128	14,128	35,134	35,134
Construction in process	215,800	-	-	-	215,800	-
Buildings and improvements	382,405	428,276	116,373	133,797	498,778	562,073
Infrastructure	231,166	278,440	-	-	231,166	278,440
Machinery and equipment	216,739	146,682	307,547	321,568	524,286	468,250
Water and sewer facilities	-	-	5,461,844	5,831,475	5,461,844	5,831,475
	\$ 1,067,116	874,404	5,899,892	6,300,968	6,967,008	7,175,372

Additional information on the City's capital assets can be found in Note 7 on pages 20 to 22.

Long-Term Debt. The City's long-term debt as of September 30, 2022 includes general obligation and revenue bonds, bonds from direct placement, and refundable contracts. The amount of long-term debt increased from the previous year due to the issuance of \$4,930,000 in general obligation and revenue bonds issued at a \$209,681 premium as well as \$35,000 in refundable contracts for new payments received during the year. These increases were offset by \$613,494, due primarily to scheduled bond principal.

City of Lorena's Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation and revenue bonds	\$ 9,065,562	4,151,192	480,000	731,750	9,545,562	4,882,942
Bonds from direct placement	-	-	890,000	1,030,000	890,000	1,030,000
Refundable contracts	<u>790,800</u>	<u>755,800</u>	-	-	<u>790,800</u>	<u>755,800</u>
	\$ 9,856,362	4,906,992	1,370,000	1,761,750	11,226,362	6,668,742

Additional information on the City's long-term debt can be found in Note 8 on pages 22 to 24.

Economic Factors and Next Year's Budget

The 2023 budget includes an increase in the property tax rate from \$0.533460 per \$100 assessed value to \$0.571145 per \$100 assessed value. The tax rate increase was approved based on the expected increase in assessed property valuations for and debt issuance for street improvements in 2022.

The City has been awarded funds through the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds through December 31, 2024 (\$435,723). The City plans to utilize those funds to complete deferred utility infrastructure projects including a water line relocation and a wastewater line rehabilitation.

Requests for Information

This financial report is designed to provide a general overview of the City of Lorena's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, City of Lorena, 107-A South Frontage Road, Lorena, Texas 76655.

Basic Financial Statements

City of Lorena, Texas

Statement of Net Position

September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lorena Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 8,390,912	2,111,495	10,502,407	633,134
Accounts receivable, net of allowance	83,357	182,834	266,191	209,448
Lease receivable	32,149	-	32,149	-
Internal balances	(191,112)	191,112	-	-
Due from component unit	19,435	-	19,435	-
Prepaid expenses	-	80,667	80,667	-
Restricted cash and cash equivalents	-	1,088,237	1,088,237	-
Net pension asset	15,380	3,907	19,287	-
Capital assets, not being depreciated:				
Land	21,006	14,128	35,134	-
Construction in process	215,800	-	215,800	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	382,405	116,373	498,778	-
Machinery and equipment	216,739	307,547	524,286	-
Infrastructure	231,166	-	231,166	-
Water and sewer facilities	-	5,461,844	5,461,844	-
Total assets	<u>9,417,237</u>	<u>9,558,144</u>	<u>18,975,381</u>	<u>842,582</u>
Deferred Outflows of Resources				
Deferred outflows of resources	<u>64,071</u>	<u>13,306</u>	<u>77,377</u>	<u>-</u>
Liabilities				
Accounts payable	131,796	9,639	141,435	-
Accrued interest payable	67,041	32,000	99,041	-
Due to primary government	-	-	-	19,435
Unearned revenues	-	403,925	403,925	-
Customer deposits payable	50,000	128,632	178,632	-
Noncurrent liabilities:				
Due within one year	237,981	170,000	407,981	-
Due in more than one year	<u>9,694,504</u>	<u>1,200,000</u>	<u>10,894,504</u>	<u>-</u>
Total liabilities	<u>10,181,322</u>	<u>1,944,196</u>	<u>12,125,518</u>	<u>19,435</u>
Deferred Inflows of Resources				
Deferred inflows of resources	<u>156,527</u>	<u>30,218</u>	<u>186,745</u>	<u>-</u>
Net Position				
Net investment in capital assets	(3,213,913)	4,529,892	1,315,979	-
Restricted for:				
Debt service	109,090	652,312	761,402	-
Public safety	602,372	-	602,372	-
Unrestricted	<u>1,645,910</u>	<u>2,414,832</u>	<u>4,060,742</u>	<u>823,147</u>
Total net position	<u>\$ (856,541)</u>	<u>7,597,036</u>	<u>6,740,495</u>	<u>823,147</u>

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Activities
Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 602,841	29,414	-	60,000	
Public safety	818,714	374,953	-	1,887	
Streets and parks	90,948	-	-	-	
Interest and other charges	335,012	-	-	-	
Total governmental activities	<u>1,847,515</u>	<u>404,367</u>	<u>-</u>	<u>61,887</u>	
Business-type activities:					
Water and sewer	1,769,434	2,037,176	-	-	
Sanitation	145,131	234,049	-	-	
Total business-type activities	<u>1,914,565</u>	<u>2,271,225</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 3,762,080</u>	<u>2,675,592</u>	<u>-</u>	<u>61,887</u>	
Component unit:					
Lorena Economic Development Corporation	<u>\$ 54,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	
General revenues:					
Property taxes					
Sales taxes					
Franchise taxes					
Unrestricted investment earnings					
Miscellaneous					
Transfers					
Total general revenues and transfers					
Change in net position					
Net position, beginning of year					
Net position, end of year					

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government		Component Unit	
Governmental Activities	Business-type Activities	Total	Lorena Economic Development Corporation
(513,427)		(513,427)	
(441,874)		(441,874)	
(90,948)		(90,948)	
<u>(335,012)</u>		<u>(335,012)</u>	
<u>(1,381,261)</u>		<u>(1,381,261)</u>	
	267,742	267,742	
	88,918	88,918	
	<u>356,660</u>	<u>356,660</u>	
<u>(1,381,261)</u>	<u>356,660</u>	<u>(1,024,601)</u>	
			(54,621)
747,149	-	747,149	-
296,157	-	296,157	148,014
139,176	-	139,176	-
30,704	10,892	41,596	1,206
286,333	-	286,333	-
<u>107,500</u>	<u>(107,500)</u>	<u>-</u>	<u>-</u>
<u>1,607,019</u>	<u>(96,608)</u>	<u>1,510,411</u>	<u>149,220</u>
225,758	260,052	485,810	94,599
<u>(1,082,299)</u>	<u>7,336,984</u>	<u>6,254,685</u>	<u>728,548</u>
\$ <u>(856,541)</u>	<u>7,597,036</u>	<u>6,740,495</u>	<u>823,147</u>

City of Lorena, Texas

Balance Sheet Governmental Funds

September 30, 2022

	General	Capital Projects	Debt Service	TIRZ Debt Service	TIRZ	Total Governmental Funds
Assets						
Cash and cash equivalents	1,309,464	6,591,753	103,769	4,525	381,401	8,390,912
Receivables, net of allowances	106,369	8,341	796	-	-	115,506
Due from other funds	500	31,888	-	-	-	32,388
Due from component unit	4,435	-	-	-	15,000	19,435
Total assets	\$ 1,420,768	6,631,982	104,565	4,525	396,401	8,558,241
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 35,619	96,177	-	-	-	131,796
Customer deposits	50,000	-	-	-	-	50,000
Due to other funds	-	-	-	-	223,500	223,500
Total liabilities	85,619	96,177	-	-	223,500	405,296
Deferred inflows of resources	34,865	-	796	-	-	35,661
Fund balances:						
Restricted for:						
Public safety	602,372	-	-	-	-	602,372
Debt service	-	-	103,769	4,525	-	108,294
Committed for capital projects	-	6,535,805	-	-	172,901	6,708,706
Unassigned	697,912	-	-	-	-	697,912
Total fund balances	1,300,284	6,535,805	103,769	4,525	172,901	8,117,284
Total liabilities, deferred inflows of resources and fund balances	\$ 1,420,768	6,631,982	104,565	4,525	396,401	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						1,067,116
The net pension asset (\$15,380) and pension-related deferred outflows of resources less deferred inflows of resources (\$66,574) are not due and payable in the current period and, therefore, are not reported in the funds.						(51,194)
The total OPEB liability (\$53,142) and OPEB-related deferred outflows of resources less deferred inflows of resources (\$6,267) are not due and payable in the current period, and therefore, are not reported in the funds.						(46,875)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.						3,512
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of long-term debt and refundable contracts (\$9,879,343) and accrued interest payable (\$67,041).						(9,946,384)
Net position of governmental activities	\$ (856,541)					

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2022

	General	Capital Projects	Debt Service	TIRZ Debt Service	TIRZ	Total Governmental Funds
Revenues:						
Property taxes	\$ 577,077	-	170,645	-	6,194	753,916
Sales taxes	296,157	-	-	-	-	296,157
Franchise taxes	139,176	-	-	-	-	139,176
Fines	205,477	-	-	-	-	205,477
Intergovernmental	1,887	-	-	-	-	1,887
Investment earnings	6,841	20,909	244	-	2,710	30,704
Contributions and donations	-	-	-	-	60,000	60,000
Miscellaneous	485,223	-	-	-	-	485,223
Total revenues	1,711,838	20,909	170,889	-	68,904	1,972,540
Expenditures:						
Current:						
General government	559,433	-	-	-	-	559,433
Public safety	765,869	-	-	-	-	765,869
Streets and parks	25,379	-	-	-	-	25,379
Debt service:						
Principal	-	-	161,742	60,000	-	221,742
Interest and other charges	-	-	6,971	153,343	-	160,314
Bond issue costs	-	131,340	-	-	-	131,340
Capital outlay	56,240	294,582	-	-	25,805	376,627
Total expenditures	1,406,921	425,922	168,713	213,343	25,805	2,240,704
Excess (deficiency) of revenues over (under) expenditures	304,917	(405,013)	2,176	(213,343)	43,099	(268,164)
Other financing sources (uses):						
Proceeds from refundable contract	-	-	-	-	35,000	35,000
Proceeds from general obligation bonds	-	4,930,000	-	-	-	4,930,000
Premium on general obligation bonds	-	209,681	-	-	-	209,681
Transfers in	107,500	151,883	-	213,343	-	472,726
Transfers out	(151,883)	-	-	-	(213,343)	(365,226)
Total other financing sources (uses)	(44,383)	5,291,564	-	213,343	(178,343)	5,282,181
Net change in fund balances	260,534	4,886,551	2,176	-	(135,244)	5,014,017
Fund balances, beginning	1,039,750	1,649,254	101,593	4,525	308,145	3,103,267
Fund balances, ending	\$ 1,300,284	6,535,805	103,769	4,525	172,901	8,117,284

See accompanying notes to financial statements.

City of Lorena, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2022

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

Net change in fund balances - total governmental funds (page 4)	\$ 5,014,017
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$154,111) exceeded capital outlay (\$346,823) in the current period.	192,712
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,767)
The issuance of long-term debt (e.g., bonds, refundable contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which increases to bonds, refundable contracts and net amortization of issuance discounts, premiums, and deferred charges on refundings (\$5,218,039) exceeded principal repayments (\$221,742).	(4,996,297)
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 the governmental funds.	<u>22,093</u>
Change in net position of governmental activities (page 2)	<u>\$ 225,758</u>

City of Lorena, Texas

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Budgetary Basis
General Fund**

Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 582,302	582,302	577,077	(5,225)
Sales taxes	256,200	256,200	296,157	39,957
Franchise taxes	191,800	191,800	216,676	24,876
Intergovernmental	-	-	1,887	1,887
Fines	260,000	260,000	188,572	(71,428)
Investment earnings	1,000	1,000	6,841	5,841
Miscellaneous	92,157	92,157	515,223	423,066
Total revenues	<u>1,383,459</u>	<u>1,383,459</u>	<u>1,802,433</u>	<u>418,974</u>
Expenditures:				
General government	533,786	533,786	639,376	(105,590)
Public safety	796,866	796,866	874,649	(77,783)
Streets and parks	52,807	52,807	44,779	8,028
Total expenditures	<u>1,383,459</u>	<u>1,383,459</u>	<u>1,558,804</u>	<u>(175,345)</u>
Net change in fund balance	-	-	243,629	243,629
Fund balance, beginning	<u>1,039,750</u>	<u>1,039,750</u>	<u>1,039,750</u>	-
Fund balance, ending	<u>\$ 1,039,750</u>	<u>1,039,750</u>	<u>1,283,379</u>	<u>243,629</u>

City of Lorena, Texas

Statement of Net Position Proprietary Funds

September 30, 2022

Assets	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Current assets:			
Cash and cash equivalents	\$ 1,864,957	246,538	2,111,495
Accounts receivable, net of allowance	165,106	17,728	182,834
Due from other funds	223,000	-	223,000
Prepaid expenses	80,667	-	80,667
Total current assets	<u>2,333,730</u>	<u>264,266</u>	<u>2,597,996</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,088,237	-	1,088,237
Net pension asset	3,907	-	3,907
Capital assets:			
Land	14,128	-	14,128
Buildings and improvements	425,130	-	425,130
Water and sewer facilities	10,861,066	-	10,861,066
Machinery and equipment	697,159	379,555	1,076,714
Less accumulated depreciation	(6,157,529)	(319,617)	(6,477,146)
Total capital assets, net of accumulated depreciation	<u>5,839,954</u>	<u>59,938</u>	<u>5,899,892</u>
Total noncurrent assets	<u>6,932,098</u>	<u>59,938</u>	<u>6,992,036</u>
Total assets	<u>9,265,828</u>	<u>324,204</u>	<u>9,590,032</u>
Deferred Outflows of Resources			
Deferred outflow of resources	<u>13,306</u>	<u>-</u>	<u>13,306</u>
Liabilities			
Current liabilities:			
Accounts payable	1,169	8,470	9,639
Accrued interest payable	32,000	-	32,000
Due to other funds	-	31,888	31,888
Unearned revenues	403,925	-	403,925
Customer deposits payable	128,632	-	128,632
Bonds payable - current	170,000	-	170,000
Total current liabilities	<u>735,726</u>	<u>40,358</u>	<u>776,084</u>
Noncurrent liabilities:			
Bonds payable	1,200,000	-	1,200,000
Total noncurrent liabilities	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Total liabilities	<u>1,935,726</u>	<u>40,358</u>	<u>1,976,084</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>30,218</u>	<u>-</u>	<u>30,218</u>
Net Position			
Net investment in capital assets	4,469,954	59,938	4,529,892
Restricted for debt service	652,312	-	652,312
Unrestricted	2,190,924	223,908	2,414,832
Total net position	<u>\$ 7,313,190</u>	<u>283,846</u>	<u>7,597,036</u>

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2022

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for sales and services pledged for security for general obligation bonds:			
Water sales	\$ 1,461,314	-	1,461,314
Sewer charges	487,577	-	487,577
Sanitation charges	-	233,649	233,649
Water and sewer tap fees	5,650	-	5,650
Penalties	33,771	-	33,771
Other	48,864	400	49,264
Total operating revenue	<u>2,037,176</u>	<u>234,049</u>	<u>2,271,225</u>
Operating expenses:			
Cost of sales and services	1,008,443	114,886	1,123,329
Depreciation	466,782	30,245	497,027
Administration	253,855	-	253,855
Total operating expenses	<u>1,729,080</u>	<u>145,131</u>	<u>1,874,211</u>
Operating income	<u>308,096</u>	<u>88,918</u>	<u>397,014</u>
Nonoperating revenues (expenses):			
Interest income	9,921	971	10,892
Interest expense and fiscal charges	(40,354)	-	(40,354)
Total nonoperating revenue (expenses)	<u>(30,433)</u>	<u>971</u>	<u>(29,462)</u>
Income before transfers	277,663	89,889	367,552
Transfers in	16,089	-	16,089
Transfers out	<u>(77,500)</u>	<u>(46,089)</u>	<u>(123,589)</u>
Change in net position	216,252	43,800	260,052
Net position, beginning	<u>7,096,938</u>	<u>240,046</u>	<u>7,336,984</u>
Net position, ending	<u>\$ 7,313,190</u>	<u>283,846</u>	<u>7,597,036</u>

See accompanying notes to financial statements.

City of Lorena, Texas

Statement of Cash Flows Proprietary Funds

Year Ended September 30, 2022

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and others	\$ 2,033,247	233,422	2,266,669
Payments to employees	(193,916)	-	(193,916)
Payments to suppliers and others	<u>(1,084,272)</u>	<u>(110,198)</u>	<u>(1,194,470)</u>
Net cash provided by operating activities	<u>755,059</u>	<u>123,224</u>	<u>878,283</u>
Cash flows from noncapital financing activities:			
Intergovernmental revenues	186,493	-	186,493
Transfers to other funds	<u>(61,411)</u>	<u>(46,089)</u>	<u>(107,500)</u>
Net cash provided by (used in) noncapital financing activities	<u>125,082</u>	<u>(46,089)</u>	<u>78,993</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(75,381)	(20,570)	(95,951)
Transfers to other funds	(35,000)	(33,000)	(68,000)
Principal paid on capital debt	<u>(391,750)</u>	-	<u>(391,750)</u>
Interest and fiscal charges paid on capital debt	<u>(39,675)</u>	-	<u>(39,675)</u>
Net cash used in capital and related financing activities	<u>(541,806)</u>	<u>(53,570)</u>	<u>(595,376)</u>
Cash flows from investing activities:			
Interest received	<u>9,921</u>	<u>971</u>	<u>10,892</u>
Net cash provided by investing activities	<u>9,921</u>	<u>971</u>	<u>10,892</u>
Net increase in cash and cash equivalents	348,256	24,536	372,792
Cash and cash equivalents, beginning of year	<u>2,604,938</u>	<u>222,002</u>	<u>2,826,940</u>
Cash and cash equivalents, end of year	<u>\$ 2,953,194</u>	<u>246,538</u>	<u>3,199,732</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 308,096	88,918	397,014
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	466,782	30,245	497,027
Change in assets and liabilities:			
Increase in receivables	(9,164)	(627)	(9,791)
Increase in prepaid expenses	(4,584)	-	(4,584)
Decrease in net pension liability	<u>(12,149)</u>	<u>(3,189)</u>	<u>(15,338)</u>
Increase in net pension asset			
Increase in accounts payable	843	7,877	8,720
Increase in customer deposits	<u>5,235</u>	-	<u>5,235</u>
Net cash provided by operating activities	<u>\$ 755,059</u>	<u>123,224</u>	<u>878,283</u>

See accompanying notes to financial statements.

City of Lorena, Texas

Notes to Financial Statements

September 30, 2022

(1) Summary of Significant Accounting Policies(a) Reporting entity

The City of Lorena, Texas (the “City”) was incorporated under the provisions of the laws of the State of Texas. The City operates under a Mayor-Council and City Manager form of government and provides the following services: public safety, highways and streets, public improvements, planning and general administrative services. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Blended component unit – The Heart of Texas Education Finance Corporation was created by the City and acts on behalf of the City to provide financing for the acquisition or construction of educational facilities or housing facilities for educational institutions. The City appoints a voting majority of the Corporation’s board and may remove them at will. Further, the Corporation’s board is substantively the same as the City Council. The Corporation is reported as a special revenue fund.

Discretely presented component unit – The Lorena Economic Development Corporation (“EDC”) is an industrial development corporation authorized to act on behalf of the City to promote and develop commercial, industrial and manufacturing enterprises. The members of the governing board of the Corporation are appointed by the City Council and the Corporation’s operational budget is reviewed and approved by the City Council. The Corporation is prohibited from issuing bonded debt without the approval of the City Council.

Additional financial information for each component unit may be obtained at the City’s administrative office.

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Lorena, Texas**Notes to Financial Statements
(Continued)****(1) Summary of Significant Accounting Policies (continued)****(b) Government-wide and fund financial statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**(c) 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 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue is considered to be measurable and available only when cash is received by the City.

City of Lorena, Texas**Notes to Financial Statements
(Continued)**

(1) Summary of Significant Accounting Policies (continued)

(c) Measurement focus, basis of accounting and financial statement presentation (continued)

The City reports the following major governmental funds:

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

Capital Projects Fund – The capital projects fund accounts for the resources accumulated and payments made for capital acquisitions.

Debt Service Fund – The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

TIRZ Debt Service Fund - The debt service fund account for the resources accumulated and payments made for principal and interest on long-term debt of the TIRZ fund.

TIRZ Fund – The TIRZ fund accounts for the resources accumulated and payments made for capital acquisitions in the City's tax increment and reinvestment zone.

The City reports the following major proprietary funds:

Water and Sewer Fund - The water and sewer fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems.

Sanitation Fund – The sanitation fund accounts for the activities of the City's solid waste collection system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Lorena, Texas**Notes to Financial Statements
(Continued)****(1) Summary of Significant Accounting Policies (continued)****(c) Measurement focus, basis of accounting
and financial statement presentation (continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Deposits and investments

For purposes of the statement of cash flows, the City's proprietary fund type considers all highly liquid investments (including restricted assets) with original maturities less than 90 days to be cash equivalents.

State statutes authorize the City to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in obligations of the United States or its agencies and instrumentalities, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

Investments are reported at fair value except for governmental pools. The governmental pools operate in accordance with appropriate state laws and regulations. The pools use amortized cost rather than fair value to report net asset share price.

(e) Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). All other outstanding balances between funds are reported as "due to/from other funds."

All accounts receivable are shown net of an allowance for uncollectibles.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(f) Restricted assets

Certain proceeds of the enterprise fund bonds and certain resources set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

(g) Capital assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery and equipment, water and sewer facilities, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) 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 \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The City chose not to retroactively report general infrastructure assets prior to the adoption of Governmental Accounting Standards Board Statement No. 34 on October 1, 2003. The City reports general infrastructure assets acquired or constructed after October 1, 2003, in the statement of net position in the period they acquire or construct those assets.

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.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 30
Machinery and equipment	3 - 20
Infrastructure	5 - 40
Water and sewer facilities	40

(h) Deferred outflows/inflows of resources

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

City of Lorena, TexasNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(h) Deferred outflows/inflows of resources (continued)

In addition to liabilities, the statement of financial position and 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.

(i) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (“TMRS”) and additions to/deductions from TMRS’s fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(j) Postemployment Benefits Other than Pensions (“OPEB”)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

(k) Long-term obligations

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. Bond issuance costs are expensed as incurred.

City of Lorena, Texas**Notes to Financial Statements
(Continued)****(1) Summary of Significant Accounting Policies (continued)****(k) Long-term obligations (continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

(l) Fund equity and net position

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's management based on City Council direction. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources against liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. 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.

(2) Budgetary Information

Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. Formal budgetary integration is employed for the general fund, capital projects fund and debt service fund. The budget includes proposed expenditures and the means of financing those expenditures. Public hearings are conducted at which all interested persons' comments concerning the budget are heard. The budget is legally enacted by the City Council. Budgetary control is maintained at the fund level. Budget revisions are made during the year. All annual appropriations lapse at fiscal year-end.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(2) Budgetary Information

The City prepares its budget on a basis of accounting that differs from generally accepted accounting principles (“GAAP”). The actual results of operations are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis of accounting and GAAP are that (1) other financing sources and related expenditures are not budgeted for new capital lease obligations; (2) transfers are recorded as revenues and expenditures; (3) payments in lieu of taxes from the enterprise fund are recorded as revenue; and (4) the financial activity of restricted fine revenues is not budgeted. Below is a reconciliation of the net change in fund balances for the year ended September 30, 2022:

Net change in fund balance - budgetary basis	\$ 243,629
Adjustment to remove financial activity of fine revenues	
restricted for public safety	<u>16,905</u>
Net change in fund balance - GAAP basis	<u><u>\$ 260,534</u></u>

During 2022, expenditures exceeded budgetary appropriations in the general fund by \$175,345, primarily due an annual transfer of 90% of general fund net income to the capital projects fund as authorized by the City Council. For the year ended September 30, 2022, that transfer totaled \$151,883.

(3) Deposits and Investments

A summary of the City’s cash and cash equivalents follows:

Cash on hand	\$ 1,445
Cash in bank	3,026,273
Certificates of deposit	218,712
Local government investment pools	<u>8,344,214</u>
 Total cash and cash equivalents	 <u><u>\$ 11,590,644</u></u>

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either letters of credit of the United States or its agencies and instrumentalities or by eligible securities held by an independent third-party custodian.

City of Lorena, Texas**Notes to Financial Statements
(Continued)****(3) Deposits and Investments (continued)**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside party. The City's investment policy requires that the purchase of investment securities be settled on a delivery basis and that ownership of all securities be perfected in the name of the City.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term certificates of deposit, securities, money market mutual funds or government investment pools, and (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City's policy not to invest in securities maturing more than two years from the date of purchase. For repurchase agreements, the maximum maturity is 120 days; and money market mutual funds must have a dollar weighted average maturity of 90 days or less. Finally, the composite portfolio must maintain a weighted average maturity of 365 days or less. The weighted average maturity of TexPool is 25 days as of September 30, 2022. The weighted average maturity of TexSTAR is 16 days as of September 30, 2022.

Credit risk. For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations. The City's investment policy limits investments in government investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2022, the City's investments in TexPool and TexSTAR were rated AAAm by Standard & Poor's.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The City has delegated the authority to hold legal title to the Pool as custodians and to make investment purchases with the City's funds. The State Comptroller of Public Accounts is the sole officer, director, and shareholder of TexPool and exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net asset share price.

TexSTAR is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The City has delegated the authority to hold legal title to the Pool as custodians and to make investment purchases with the City's funds.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(3) Deposits and Investments (continued)

TexSTAR's governing body is a five-member Board of Directors consisting of representatives of three participants and one member designated by each of the co-administrators. JPMorgan Investment Management, Inc. (the investment manager) and Hilltop Securities, Inc. serve as co-administrators for TexSTAR. There are no maximum transaction amounts and withdrawals from TexSTAR may be made daily. TexSTAR uses amortized cost rather than fair value to report net asset share price.

At September 30, 2022, the discretely presented component unit's cash and cash equivalents of \$633,134 consisted of cash in bank of \$491,863 and investment in TexPool in the amount of \$141,271. At September 30, 2022, and at various points throughout the year then ended, the discretely presented component unit periodically maintained balances at financial institutions in excess of federally insured amounts.

(4) Property Taxes

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the "District"). The District is required under the Property Tax Code to assess all property on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property must be reviewed by the District every four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value upon which the fiscal 2022 levy was based was \$139,091,409.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2022 were 99% of the tax levy.

(5) Receivables

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

	General	Capital Project	Debt Service	Water and Sewer	Sanitation	Total
Receivables:						
Taxes	\$ 56,412	-	796	-	1,736	58,944
Leases	32,149	-	-	-	-	32,149
Accounts	17,808	8,341	-	189,644	24,171	239,964
Gross receivables	106,369	8,341	796	189,644	25,907	331,057
Less allowance for uncollectibles	-	-	-	24,538	8,179	32,717
Net total receivables	<u>\$ 106,369</u>	<u>8,341</u>	<u>796</u>	<u>165,106</u>	<u>17,728</u>	<u>298,340</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(6) Lease Receivables

The City leases land to a corporation in order that the corporation can install and maintain a wireless internet tower. They also lease equipment to a local bank. The leases have an imputed interest rate of 4.0% and have initial terms of up to five years expiring in 2026 and 2027. Annual rents range from \$3,000 to \$4,800 are made on a monthly basis throughout the term. As of October 1, 2021, the City recorded a lease receivable and an equal deferred inflow of resources for the lease of \$38,525. For the year ended September 30, 2022, the total amount of lease revenues and interest income recognized was \$6,376 and \$1,424, respectively.

The future payments that are included in the measurement of the lease receivable through maturity as of September 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 6,635	1,165	7,800
2024	6,905	895	7,800
2025	7,186	614	7,800
2026	6,727	323	7,050
2027	4,696	104	4,800
Totals	<u>32,149</u>	<u>3,101</u>	<u>35,250</u>

(7) Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

Primary Government

	<u>Balance October 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2022</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 21,006	-	-	21,006
Construction in process	-	215,800	-	215,800
Total capital assets, not being depreciated	<u>21,006</u>	<u>215,800</u>	<u>-</u>	<u>236,806</u>
Capital assets, being depreciated:				
Buildings and improvements	872,596	-	-	872,596
Machinery and equipment	660,005	131,023	-	791,028
Infrastructure	752,554	-	-	752,554
Total capital assets, being depreciated	<u>2,285,155</u>	<u>131,023</u>	<u>-</u>	<u>2,416,178</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(7) Capital Assets (continued)

Primary Government (continued)

	Balance October 1, 2021	Additions	Deletions	Balance September 30, 2022
<u>Governmental activities:</u> (continued)				
Less: accumulated depreciation for:				
Buildings and improvements	\$ (444,320)	(45,871)	-	(490,191)
Machinery and equipment	(513,323)	(60,966)	-	(574,289)
Infrastructure	<u>(474,114)</u>	<u>(47,274)</u>	-	(521,388)
Total accumulated depreciation	<u>(1,431,757)</u>	<u>(154,111)</u>	-	(1,585,868)
Total capital assets, being depreciated, net	<u>853,398</u>	<u>(23,088)</u>	-	830,310
Governmental activities capital assets, net	<u>\$ 874,404</u>	<u>192,712</u>	-	<u>1,067,116</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 14,128	-	-	14,128
Total capital assets not being depreciated	<u>14,128</u>	<u>-</u>	<u>-</u>	<u>14,128</u>
Capital assets, being depreciated:				
Buildings and improvements	425,130	-	-	425,130
Water and sewer facilities	10,821,086	39,980	-	10,861,066
Machinery and equipment	<u>1,022,617</u>	<u>55,971</u>	<u>(1,874)</u>	<u>1,076,714</u>
Total capital assets being depreciated	<u>12,268,833</u>	<u>95,951</u>	<u>(1,874)</u>	<u>12,362,910</u>
Less accumulated depreciation for:				
Buildings and improvements	(291,333)	(17,424)	-	(308,757)
Water and sewer facilities	(4,989,611)	(409,611)	-	(5,399,222)
Machinery and equipment	<u>(701,049)</u>	<u>(69,992)</u>	<u>1,874</u>	<u>(769,167)</u>
Total accumulated depreciation	<u>(5,981,993)</u>	<u>(497,027)</u>	<u>1,874</u>	<u>(6,477,146)</u>
Total capital assets, being depreciated, net	<u>6,286,840</u>	<u>(401,076)</u>	-	<u>5,885,764</u>
Business-type activities capital assets, net	<u>\$ 6,300,968</u>	<u>(401,076)</u>	-	<u>5,899,892</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(7) Capital Assets (continued)

Primary Government (continued)

Depreciation expense was charged to functions/programs of governmental activities as follows: \$23,823 to general government, \$68,719 to public safety, and \$61,569 to streets and parks.

The City's construction in process is comprised of engineering costs associated with street improvement projects that will be funded through the 2022 debt issuance which is further discussed in Note 8.

(8) Long-Term Debt

Long-term debt consists of bonded indebtedness, refundable contracts, net pension liability, total OPEB liability, and compensated absences. The City generally issues general obligation and revenue bonds to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. For the governmental activities, compensated absences, the net pension liability, and total OPEB liability are generally liquidated by the general fund.

The following is a summary of changes in long-term debt for the year ended September 30, 2022:

	Balance October 1, 2021	Additions	Reductions	Balance September 30, 2022	Due Within One Year
Governmental activities:					
General obligation and revenue bonds	\$ 4,092,076	4,930,000	221,744	8,800,332	215,000
Premiums	59,352	209,681	3,803	265,230	-
Discounts	(236)	-	(236)	-	-
Refundable contracts	755,800	35,000	-	790,800	-
Net pension liability	92,444	56,087	148,531	-	-
Total OPEB liability	48,050	7,098	2,006	53,142	-
Compensated absences	12,299	22,981	12,299	22,981	22,981
	<u>5,059,785</u>	<u>5,260,847</u>	<u>388,147</u>	<u>9,932,485</u>	<u>237,981</u>
 Business-type activities:					
General obligation bonds	731,750	-	251,750	480,000	25,000
Bonds from direct placement	1,030,000	-	140,000	890,000	145,000
Net pension liability	29,007	17,121	46,128	-	-
	<u>1,790,757</u>	<u>17,121</u>	<u>437,878</u>	<u>1,370,000</u>	<u>170,000</u>
	<u>\$ 6,850,542</u>	<u>5,277,968</u>	<u>826,025</u>	<u>11,302,485</u>	<u>407,981</u>

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(8) Long-Term Debt (continued)

General obligation bonds for governmental activities at September 30, 2022 are comprised of the following issues:

Series 2017 \$690,000 combination tax and revenue bonds due in annual installments of \$40,000 to \$65,000 through February 2035; interest at 3.00% to 3.70%	\$ 650,000
Series 2017 \$1,735,000 combination tax and revenue bonds due in annual installments of \$20,000 to \$150,000 through February 2046; interest at 2.00% to 4.00%	1,715,332
Series 2018 \$1,505,000 combination tax and revenue bonds due in annual installments of \$35,000 to \$90,000 through February 2047; interest at 3.00% to 4.00%	1,505,000
Series 2021 \$4,930,000 combination tax and revenue bonds due in annual installments of \$120,000 to \$360,000 through February 2042; interest at 4.00%	<u>4,930,000</u>
	<u>\$ 8,800,332</u>

General obligation bonds for business-type activities at September 30, 2022 are comprised of the following issues:

Series 2017 \$635,000 combination tax and revenue bonds due in annual installments of \$25,000 to \$45,000 through February 2036; interest at 2.00% to 4.00%	\$ <u>480,000</u>
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Bonds from direct placement related to business-type activities are comprised of the Series 2020 \$1,170,000 refunding bonds due in annual installments of \$140,000 to \$155,000 through July 2028 at an interest rate of 1.16%.

Annual debt service requirements to maturity for governmental activities are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 215,000	342,625
2024	235,000	335,546
2025	255,000	326,551
2026	275,000	316,724
2027	295,000	305,910
2028 -2032	1,745,000	1,332,216
2033 - 2037	2,155,000	937,405
2038 - 2042	2,630,000	459,575
2043 - 2047	<u>995,332</u>	<u>84,838</u>
	<u>\$ 8,800,332</u>	<u>4,441,390</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(8) Long-Term Debt (continued)

Annual debt service requirements to maturity for business-type activities are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 170,000	27,211
2024	175,000	24,704
2025	175,000	22,122
2026	175,000	19,540
2027	185,000	16,940
2028 -2032	325,000	51,674
2033 - 2037	<u>165,000</u>	<u>13,500</u>
	<u>\$ 1,370,000</u>	<u>175,691</u>

The various bond indentures contain significant restrictions on maintenance and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. The City is in compliance with all such significant financial limitations and restrictions.

There is no specific maximum debt limit established by law for the City; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt.

(9) Defined Benefit Pension Plan

Plan Description

The City participates as one of 901 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 Texas Government Code, Title 8, Subtitle G (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 does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report ("Annual Report") that can be obtained at www.tmrs.com.

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

City of Lorena, Texas

Notes to Financial Statements (Continued)

(9) Defined Benefit Pension Plan (continued)

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, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. 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.

Employees Covered by Benefit Terms – At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	12
Active employees	16

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching percentages are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 6.0% of their annual gross earnings during the fiscal year. The contribution rate for the City was 10.50% and 10.54% in the calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$78,287 and were equal to the required contributions.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(9) Defined Benefit Pension Plan (continued)

Net Pension Liability (Asset) (continued)

Actuarial assumptions – The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population decline, 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. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by 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, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (“APRs”) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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 using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

City of Lorena, Texas

Notes to Financial Statements (Continued)

(9) Defined Benefit Pension Plan (continued)

Net Pension Liability (Asset) (continued)

	<u>Target Allocation</u>	<u>Long-Term Expected real Rate of Return (Arithmetic)</u>
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	<u>10.0%</u>	10.00%
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset) –

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Balance at December 31, 2020	\$ 2,064,926	1,943,475	121,451
Changes for the year:			
Service cost	103,527	-	103,527
Interest on the total pension liability	141,672	-	141,672
Difference between expected and actual experience	(17,755)	-	(17,755)
Contributions - employer	-	73,750	(73,750)
Contributions - employee	-	41,970	(41,970)
Net investment income	-	253,626	(253,626)
Benefit payments, including refunds of employee contributions	(35,681)	(35,681)	-
Administrative expense	-	(1,172)	1,172
Other changes	-	8	(8)
Net changes	191,763	332,501	(140,738)
Balance at December 31, 2021	\$ 2,256,689	2,275,976	(19,287)

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(9) Defined Benefit Pension Plan (continued)

Net Pension Liability (Asset) (continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point (7.75%) higher than the current rate.

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 312,225	(19,287)	(291,817)

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

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

For the year ended September 30, 2022, the City recognized pension expense of \$23,813.

At September 30, 2022, 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 experience	\$ -	20,158
Difference between projected and actual investment earnings, net	-	129,014
Changes in assumptions	3,689	
Contributions subsequent to the measurement date	61,997	-
	<u>\$ 65,686</u>	<u>149,172</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$61,997 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 fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement <u>Year Ended December 31,</u>	\$	(30,331)
2022	\$ (57,911)	(57,911)
2024	\$ (31,912)	(31,912)
2025	<u>\$ (25,329)</u>	<u>(25,329)</u>
	<u>\$ (145,483)</u>	<u>(145,483)</u>

(10) Other Postemployment Benefits (“OPEB”)

Plan Description

The City also participates in a defined benefit group-term life insurance plan administered 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 by adopting an ordinance before November 1 of any year to be effective the following January 1. As the SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board (“GASB”) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City’s yearly contributions for retirees.

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). The death benefit for retirees is a fixed amount of \$7,500.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(10) Other Postemployment Benefits (“OPEB”) (continued)

Benefits Provided (continued)

Employees Covered by Benefit Terms – At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	2
Active employees	16

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.

The City’s contributions to the SDBF for the year ended September 30, 2022 were \$440 and were equal to the required contributions.

Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2021 and the total was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50% to 11.50%, including inflation
Discount rate	1.84% (based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021)
Administrative expenses	All administrative expenses are paid through the TMRS Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully general basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables were used 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.

City of Lorena, Texas

Notes to Financial Statements
(Continued)

(10) Other Postemployment Benefits (“OPEB”) (continued)

Total OPEB Liability (continued)

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the actuarial experience study for the period December 31, 2014 to December 31, 2018.

The changes in the total OPEB liability for the measurement period ending December 31, 2021 was as follows:

	Total OPEB Liability
Balance at December 31, 2020	<u>48,050</u>
Changes for the year:	
Service cost	4,477
Interest on the total OPEB liability	1,002
Difference between expected and actual experience	(1,586)
Changes in assumption or other inputs	1,619
Benefit payments **	<u>(420)</u>
Net changes	<u>5,092</u>
Balance at December 31, 2021	<u><u>53,142</u></u>

** Due to the plan being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.84%) or one percentage point higher (2.84%) than the current rate.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's total OPEB liability	<u>65,054</u>	<u>53,142</u>	<u>43,822</u>

City of Lorena, Texas

Notes to Financial Statements
(Continued)

**OPEB Expense and Deferred Outflows of Resources
and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2022, the City recognized OPEB expense of \$6,865.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	4,414
Changes in assumptions	11,251	1,010
Contributions subsequent to the measurement date	<u>440</u>	<u>-</u>
	<u><u>\$ 11,691</u></u>	<u><u>5,424</u></u>

The \$440 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement <u>Year Ended December 31,</u>	
2022	\$ 1,386
2023	1,386
2024	1,042
2025	1,484
2026	526
Thereafter	<u>3</u>
	<u><u>\$ 5,827</u></u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(11) Deferred Outflows/Inflows of Resources

The statements of financial position and the balance sheet include the following deferred outflows/inflows of resources at September 30, 2022:

	Statements of Net Position			Balance Sheet	
	Governmental Activities	Business-Type Activities - Water and Sewer	Business-Type Activities - Sanitation	General Fund	Debt Service Fund
Deferred outflows of resources:					
Pension - post-measurement date contributions	\$ 49,438	12,559	-	-	-
Pension - changes in assumptions	2,942	747	-	-	-
OPEB - changes in assumptions	11,251	-	-	-	-
OPEB - post-measurement date contributions	440	-	-	-	-
	<u>\$ 64,071</u>	<u>13,306</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable property tax revenue	\$ -	-	-	2,716	796
Unavailable lease revenue	32,149	-	-	32,149	-
Pension - differences between projected and actual earnings	102,878	26,136	-	-	-
Pension - differences between expected and actual experience	16,076	4,082	-	-	-
OPEB - differences between expected and actual experience	4,414	-	-	-	-
OPEB - changes in assumptions	1,010	-	-	-	-
	<u>\$ 156,527</u>	<u>30,218</u>	<u>-</u>	<u>34,865</u>	<u>796</u>

(12) Commitments, Contingencies and Concentrations

The City has entered into an agreement with a water authority to have available 1,000 acre-feet of surface water each year at a rate to be determined annually by the authority. The term of the agreement is for a period ending August 2047.

The City entered into a water treatment and transportation contract with another incorporated city in April 1998 to share the cost of a water treatment system to divert, treat and transport the surface water purchased for use by the City. The contract was revised and extended in September 2021. Under the contract, the City will pay a proportionate share of the costs of operation and maintenance of the system. The contract is effective for a period of 20 years with optional renewals for three additional 10 year terms. For the year ended September 30, 2022, the contract for this water agreement comprised 87% of the City's total cost of purchased water.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(12) Commitments, Contingencies and Concentrations (continued)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

(13) Risk Management and Uncertainties

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 has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property and workmen's compensation coverage. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

(14) Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	TIRZ	\$ 500
Water and sewer	TIRZ	223,000
Capital projects	Sanitation	31,888
		<hr/>
		\$ 255,388

The outstanding balances between funds result mainly from the time lag between the dates that payments between funds are made.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(15) Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2022 is as follows:

	Transfers Out:				
	General	TIRZ	Water and Sewer	Sanitation	Total
Transfers in:					
General	\$ -	-	77,500	30,000	107,500
Water and sewer	-	-	-	16,089	16,089
Capital projects	151,883	-	-	-	151,883
TIRZ debt service	-	213,343	-	-	213,343
	<hr/> <u>\$ 151,883</u>	<hr/> <u>213,343</u>	<hr/> <u>77,500</u>	<hr/> <u>46,089</u>	<hr/> <u>488,815</u>

Transfers are used to (1) move resources from the water and sewer and sanitation fund to the general fund to finance general fund expenditures, (2) move resources from the general fund to the capital projects fund to finance certain capital additions, renovations or major repairs, (3) move resources from the sanitation fund to the water and sewer fund to finance certain water and sewer fund expenditures, and (4) move resources from the TIRZ fund to the TIRZ debt service fund to finance debt repayments.

(16) Adoption of Accounting Pronouncement

As of October 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 87, *Leases*. Accordingly, the City has recognized a lease receivable and deferred inflow of resources for agreements where the City is the lessor; thereby enhancing the relevance and consistency information about a government’s leasing activities. There was no impact on beginning net position or fund balance upon implementation.

(17) Authoritative Pronouncements Not Yet Effective

The following pronouncements were issued by the Governmental Accounting Standards Board (“GASB”) which may impact the City but are not yet effective. The City has not yet determined the effects of the adoption on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* (issued May 2019)— The objective of this statement is 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 the City’s financial statements for the fiscal year beginning on October 1, 2022.

City of Lorena, TexasNotes to Financial Statements
(Continued)(17) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (issued May 2020) – The objective of this statement is to provide guidance for subscription based information technology arrangements (SBITA). It will define SBITA contracts, provide guidance on the accounting for the SBITAs, and require disclosures regarding the SBITAs. The requirements of this statement are effective for the City's financial statements for the fiscal year beginning on October 1, 2022.

Required Supplementary Information

City of Lorena, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Measurement Dates

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability			
Service cost	\$ 103,527	106,870	104,955
Interest on the total pension liability	141,672	129,255	117,183
Change in benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	(17,755)	(4,692)	(13,787)
Change of assumptions	-	-	12,689
Benefit payments, including refunds of employee contributions	<u>(35,681)</u>	<u>(55,930)</u>	<u>(30,371)</u>
Net change in Total Pension Liability	191,763	175,503	190,669
Total Pension Liability - beginning	<u>2,064,926</u>	<u>1,889,423</u>	<u>1,698,754</u>
Total Pension Liability - ending (a)	<u>\$ 2,256,689</u>	<u>2,064,926</u>	<u>1,889,423</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 73,750	77,978	74,530
Contributions - employee	41,970	43,414	41,870
Net investment income	253,626	132,632	222,484
Benefit payments, including refunds of employee contributions	(35,681)	(55,930)	(30,371)
Administrative expense	(1,172)	(858)	(1,257)
Other	<u>8</u>	<u>(32)</u>	<u>(38)</u>
Net change in Plan Fiduciary Net Position	332,501	197,204	307,218
Plan Fiduciary Net Position - beginning	<u>1,943,475</u>	<u>1,746,271</u>	<u>1,439,053</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 2,275,976</u>	<u>1,943,475</u>	<u>1,746,271</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ (19,287)</u>	<u>121,451</u>	<u>143,152</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	100.85%	94.12%	92.42%
Covered payroll	<u>\$ 699,505</u>	<u>723,563</u>	<u>697,839</u>
Net Pension Liability (Asset) as a percentage of covered payroll	(2.76%)	16.79%	20.51%

Note: The City of Lorena adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective October 1, 2014. Information for years prior to 2014 is not available.

2018	2017	2016	2015	2014
100,579	74,608	72,892	70,355	70,839
105,865	86,423	79,759	73,433	65,480
149,736	-	-	-	-
(7,773)	(2,295)	(17,503)	(6,338)	(9,510)
-	-	-	19,312	-
<u>(35,983)</u>	<u>(30,884)</u>	<u>(43,691)</u>	<u>(7,223)</u>	<u>(18,664)</u>
312,424	127,852	91,457	149,539	108,145
<u>1,386,330</u>	<u>1,258,478</u>	<u>1,167,021</u>	<u>1,017,482</u>	<u>909,337</u>
<u>1,698,754</u>	<u>1,386,330</u>	<u>1,258,478</u>	<u>1,167,021</u>	<u>1,017,482</u>
45,534	41,992	37,892	36,736	28,314
40,178	35,443	34,088	33,450	33,376
(42,932)	168,837	75,366	1,552	54,664
(35,983)	(30,884)	(43,691)	(7,223)	(18,664)
(830)	(875)	(852)	(946)	(571)
<u>(44)</u>	<u>(43)</u>	<u>(46)</u>	<u>(47)</u>	<u>(47)</u>
5,923	214,470	102,757	63,522	97,072
<u>1,433,130</u>	<u>1,218,660</u>	<u>1,115,903</u>	<u>1,052,381</u>	<u>955,309</u>
<u>1,439,053</u>	<u>1,433,130</u>	<u>1,218,660</u>	<u>1,115,903</u>	<u>1,052,381</u>
<u>259,701</u>	<u>(46,800)</u>	<u>39,818</u>	<u>51,118</u>	<u>(34,899)</u>
84.71%	103.38%	96.84%	95.62%	103.43%
<u>669,634</u>	<u>590,721</u>	<u>568,134</u>	<u>557,491</u>	<u>556,265</u>
38.78%	(7.92%)	7.01%	9.17%	(6.27%)

City of Lorena, Texas

Schedule of Pension Contributions

Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 78,287	74,675	80,533	66,840
Contributions in relation to the actuarially determined contributions	<u>78,287</u>	<u>74,675</u>	<u>80,533</u>	<u>66,840</u>
Contribution deficiency (excess)	\$ <u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Covered payroll	\$ <u>743,190</u>	<u>704,046</u>	<u>749,321</u>	<u>693,814</u>
Contributions as a percentage of covered payroll	10.53%	10.61%	10.75%	9.63%

Notes to Schedule of Pension Contributions

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, 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.

Note: The City of Lorena adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective October 1, 2014. Information for years prior to 2015 is not available.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
44,152	40,526	38,050	33,741
<u>44,152</u>	<u>40,526</u>	<u>38,050</u>	<u>33,741</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>668,197</u>	<u>590,721</u>	<u>568,134</u>	<u>557,491</u>
6.61%	6.86%	6.70%	6.05%

City of Lorena, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Ten Measurement Dates

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 4,477	3,618	2,791	2,879	2,245
Interest on the total OPEB liability	1,002	1,128	1,133	1,002	922
Difference between expected and actual experience	(1,586)	(2,429)	(1,519)	(1,104)	-
Change of assumptions	1,619	6,604	7,790	(2,330)	2,560
Benefit payments **	(420)	(145)	(140)	(134)	(177)
Net change in Total OPEB Liability	5,092	8,776	10,055	313	5,550
Total OPEB Liability - beginning	48,050	39,274	29,219	28,906	23,356
Total OPEB Liability - ending	\$ 53,142	48,050	39,274	29,219	28,906
Covered payroll	\$ 699,505	723,563	697,839	669,634	590,721
Total OPEB Liability as a percentage of covered payroll	7.60%	6.64%	5.63%	4.36%	4.89%

** Due to the plan being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: The City of Lorena adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. Information for years prior to 2017 is not available.

City of Lorena, Texas

Schedule of OPEB Contributions

Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 504	356	150	139	177
Contributions in relation to the actuarially determined contributions	504	356	150	139	177
Contribution deficiency (excess)	\$ -	-	-	-	-
Covered payroll	\$ 743,190	704,046	749,321	693,814	668,197
Contributions as a percentage of covered payroll	0.07%	0.05%	0.02%	0.02%	0.03%

Notes to Schedule of OPEB Contributions

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	1.84%
Retirees' Share of Benefit-related Costs	\$0
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.

Note: The City of Lorena adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. Information for fiscal years prior to 2018 is not available.

Supplementary Information

City of Lorena, Texas

Schedule of Interest and Sinking Balances – Proprietary Fund
(Unaudited)

September 30, 2022

	Next Prorata Interest Payment*	Next Prorata Principal Payment*	Total Required
\$635,000 Combination tax and revenue certifications obligation Series 2017	\$ 4,222	3,151	7,373
\$1,170,000 General obligation refunding bonds Series 2020	<u>5,106</u>	<u>36,151</u>	<u>41,257</u>
Required balance	<u><u>9,328</u></u>	<u><u>39,302</u></u>	<u><u>48,630</u></u>
Actual balance included in restricted cash and cash equivalents			<u><u>684,312</u></u>
Excess balance			<u><u>\$ 635,682</u></u>

* Adequate to pay the principal and interest as such principal and interest comes due.

City of Lorena, Texas

**Schedule of Insurance Coverage
(Unaudited)**

September 30, 2022

Insuror	Type of Coverage	Amount of Coverage
Texas Municipal League Intergovernmental Risk Pool	General liability	\$ 1,000,000
	Law enforcement liability	1,000,000 per occurrence
	Errors and omissions liability	1,000,000
	Cyber Liability	1,000,000
	Animal Mortality Coverage	12,500
	Animal Surgical Coverage	5,000
	Automobile liability	1,000,000
	Auto physical damage	Actual cash value
	Real and personal property	7,011,719
	Mobile equipment	280,361
	Boiler and machinery comprehensive coverage	100,000
	Supplemental sewage backup	25,000 each structure
	Employee dishonesty coverage	5,000 per employee

See accompanying independent auditor's report.

City of Lorena, Texas**Schedule of Water and Sewer Connections,
and Water Accountability
(Unaudited)****Year Ended September 30, 2022**

On September 30, 2022, there were 1,046 active water connections and 617 active sewer connections. The following water schedule indicated the accountability for gallons of water in the system for 2022:

Gallons of water sold	169,221,000
Gallons of water used for municipal purposes	50,900 *
Gallons of water lost	<u>68,608,500</u> **
Total gallons pumped	<u>237,880,400</u>

* Fire department and monthly main flushing not metered.

** Seasonal line breaks included in water loss.

LORENA POLICE DEPARTMENT

Calls - By Type

02\01\2023

thru 02\28\2023

Agency is: LORENA PD

Type	Description	# Of Calls
319	BURGLAR ALARM	1
6	ACCIDENT	4
131	ANIMAL CALL	1
42	ASSIST CITIZEN	4
30	ASSIST MOTORIST	14
70	ASSIST OTHER AGENCIES	13
202	ASSIST OTHER AGENCIES-K9	1
54	BUILDING CHECK	2
128	CIVIL MATTER	1
265	DOMESTIC DISTURBANCE	3
166	ELECTRICAL	1
32	EMS	6
58	EQUIPMENT SERVICE	1
89	FIRE	1
38	FOLLOW UP	7
35	FOOT PATROL	22
323	HAZMAT	1
69	PARKING VIOLATION	2
126	SUSPICIOUS CIRCUMSTANCES	6
29	SUSPICIOUS PERSON	3
22	SUSPICIOUS VEHICLE	6
78	TRAFFIC COMPLAINTS	4
103	TRAFFIC HAZARD	6
27	TRAFFIC STOP	197
57	VCO - DOG	1
307	VCO - ILLEGAL DUMPING	1
81	VCO - PARKING	1
56	VIOLATION OF CITY ORDINANCE	1
76	WELFARE CONCERN	2
Total		313

LORENA POLICE DEPARTMENT

Arrests - By Violation

02\01\2023
thru 02\28\2023

Violation	# of Offenses
CONSUMPTION OF ALCOHOL BY MINOR (MC)	2
DEL MARIJ >50LBS<=2,000LBS	1
EVADING ARREST DET W/VEH	1
MINOR - PUBLIC INTOXICATION (MC)	1
MINOR IN POSSESSION-ALCOHOL (MC)	2
OPEN CONTAINER LAW (MC)	2
PUBLIC INTOXICATION (MC)	1
RECKLESS DRIVING (MB)	1
THEFT PROP >=\$100<\$750	1
WARRANT- OTHER AGENCY (MISD)	1
Total Violations	13
Total Arrests	6

CITATIONS ISSUED BY THE LORENA POLICE DEPARTMENT

FEBRUARY 2022	282
FEBRUARY 2023	334
Becknauld	123
Board	83
Holt	0
Disney	23
Greer	105
Serrato	0
Rivas	0
<hr/> Total	334