

**NOTICE OF PUBLIC MEETING
LORENA CITY COUNCIL
MONDAY, FEBRUARY 26, 2024 6:30 P.M.
LORENA CITY HALL
107-A S. FRONTAGE ROAD, LORENA TEXAS**

THE PUBLIC WILL BE ABLE TO JOIN THE MEETING BY VIDEOCONFERENCING
AT THE FOLLOWING LINK <https://meet.goto.com/797560829>
The City Council Meeting will be opened to the public.

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. January 22, 2024**
- 5. Presentation of 2023 Fiscal Year Audit.**
- 6. Discussion and possible action accepting the 2023 Fiscal Year Audit.**
- 7. Discussion and possible action to accept construction of the Rosenthal Estates Phase 1 subdivision.**
- 8. Discussion and possible action on Budget Amendment 2024-02.**
- 9. Discussion and possible action for the appointment of Billy Borunda to the Lorena Economic Development Corporation board open seat 3.**
- 10. Discussion and possible action on 2023 Racial Profile report.**
- 11. Committee and Corporation Reports:**
 - a. Lorena Economic Development Corporation**
 - b. Lorena Planning and Zoning Commission**
- 12. Police Department Report.**
- 13. City Manager Report.**
 - 1. Street Project Update.**
 - 2. City Managers training week of March 4th through 8th (year 2 of PCED).**
- 14. Future Agenda Items.**
- 15. Adjourn**

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 on February 22, 2024.



Monica Hendrix-City Secretary

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.

Attendance by Other Elected or Appointed Officials – NOTICE OF POSSIBLE QUORUM: It is anticipated that members of City Council or other city board, commissions and/or committees may attend the meeting in numbers that may constitute a quorum of the other city boards, commissions and/or committees. Notice is hereby given that the meeting, to the extent required by law, is also noticed as a meeting of the other boards, commissions and/or committees of the City, whose members may be in attendance. The members of the boards, commissions and/or committees may participate in discussions on the same items listed on the agenda, which occur at the meeting, but no action will be taken by such in attendance unless such item and action is specifically provided for on an agenda for that board, commission or committee subject to the Texas Open Meetings Act.

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.

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.

**NOTICE OF PUBLIC MEETING
LORENA CITY COUNCIL
MONDAY, JANUARY 22, 2024 6:30 P.M.
LORENA CITY HALL
107-A S. FRONTAGE ROAD, LORENA TEXAS**

THE PUBLIC WILL BE ABLE TO JOIN THE MEETING BY VIDEOCONFERENCING
AT THE FOLLOWING LINK <https://meet.goto.com/717874189>
The City Council Meeting will be opened to the public.

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

MINUTES

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. December 18, 2023

MOTION: Brad Wetzel motioned to approve the minutes.

SECOND: Jason BlaneK

FOR: Jason BlaneK, Brad Wetzel and Kelly Yarbrough.

AGAINST: None

ABSENT: Katrina George and Emily McKenzie

Motion carried 3-0.

5. Committee and Corporation Reports:

a. Lorena Economic Development Corporation

EDC Chairman Kelly Yarbrough reported EDC met on January 8th and discussed moving forward and also discussed dates for a joint workshop with the City Council on March 12th or 18th.

b. Lorena Planning and Zoning Commission

No meeting.

6. Discussion and possible action on Ordinance 2024-0122-01 calling the May 4, 2024 General Election to elect one (1) person for each position to serve the full term of two (2) years for three (3) City Council Members.

MOTION: Brad Wetzel motion to approve Ordinance 2024-0122-01 calling the May 4, 2024 General Election.

SECOND: Jason BlaneK

FOR: Jason BlaneK, Brad Wetzel and Kelly Yarbrough.

AGAINST: None

ABSENT: Katrina George and Emily McKenzie

Motion carried 3-0.

7. Discussion and possible action on Ordinance 2024-0122-02 of the City of Lorena, Texas ordering and setting an election in the city on a combined municipal sales tax ballot proposition to reduce the rate of the sales and use tax for the promotion and development of new and expanded business enterprises from 1/2 of one percent to 1/8 of one percent, and for the adoption of a local sales and use tax in the City of Lorena at the rate of 3/8 of one percent to provide revenue for maintenance and repair of municipal streets.

City Attorney Charlie Olson recommended the language for this and also recommended having the two orders separate. Mayor Ross explained if passed, one third of the sales tax would go to EDC and the rest would go to the street and maintenance fund for four years. If the city chooses to extend the re-allocation of funds, another election would be required in four years. Brad Wetzel questioned if the ordinance need to state the four year expiration and was told no that it is covered in the tax law statute which is listed in the ordinance.

Mayor Ross stressed this does not impose any additional taxes on the citizens, it does not affect propoerty tax, it reallocates the funds for maintenance and repair of municipal streets.

MOTION: Jason BlaneK motion to adopt Ordinance 2024-0122-02.

SECOND: Brad Wetzel

FOR: Jason BlaneK and Brad Wetzel .

AGAINST: Kelly Yarbrough

ABSENT: Katrina George and Emily McKenzie

Motion carried 2-1.

8. Presentation of Summary of Cash and Investments and quarterly budget reports ending 12/31/2023.

Linda Klump reviewed the reports with council and explained changes. Also stated that annual audit will be presented next month.

9. Police Department Report.
a. Monthly activity report
b. 2023 Annual report
c. Solar Eclipse Planning

Chief Scott Holt was present for any questions on the reports. Holt pointed out the Calls for Service will be reported differently next month and will not include traffic stops.

Holt presented the 2023 year end report which list stats for Calls, traffic stops, incidents, arrest, vehicle crashes and accomplishments.

Holt also discussed the planning with other community and county officials of the possible impact on the area leading up to and the day of the Solar Eclipse on April 8th.

10. City Manager Report.

a. Street Project Update.

Kevin Neal reported all the streets are now paved. Neal says the additional dates for completion will need to be added to the contract in order for ATMOS and AT&T to complete the intersection of Williams and Houston Street. This will allow the contractor to remain inline with the contract completion dates. Neal says as of today the project has remained on budget.

b. Report on major water leaks.

Neal gave praise the utility department and thank them for the handling of two large water leaks this past month. One was on Christmas Eve and one was two weeks ago when a contactor hit a ten inch water main and the city lost 182,000 gallons of water in a matter of minutes. During the outage the city was able to install an extra valve to help with any future interuptions.

c. City Managers training January 25th & 26th.

Neal will be out of the office on Thursday and Friday attending training in Austin.

11. Future Agenda Items.

Neal asked about joint workshop with EDC and Council.

12. Adjourn

Due to no further business the meeting adjourned at 7:09 p.m.

These minutes were approved this 26th day of February 2024.

Tommy Ross, Mayor

Attest:

Monica Hendrix, City Secretary

City of Lorena FY 2023 Audit



**Report to the City Council
February 26, 2024**

Agenda

- Financial Audit Overview
- Results of the Audit
- Financial Observations
- Internal Controls and Compliance
- Required Communications

Financial Audit Overview

- Management's responsibility:
 - To prepare the financial statements and select accounting policies and procedures
- Auditor's responsibility:
 - Conduct the audit in accordance with generally accepted auditing standards
 - Obtain reasonable assurance the financial statements are free of material misstatements
 - Examine evidence supporting amounts and disclosures in the financial statements
 - Assess accounting principles used and estimates made by management
 - Evaluate the overall financial statement presentation

Financial Audit Overview

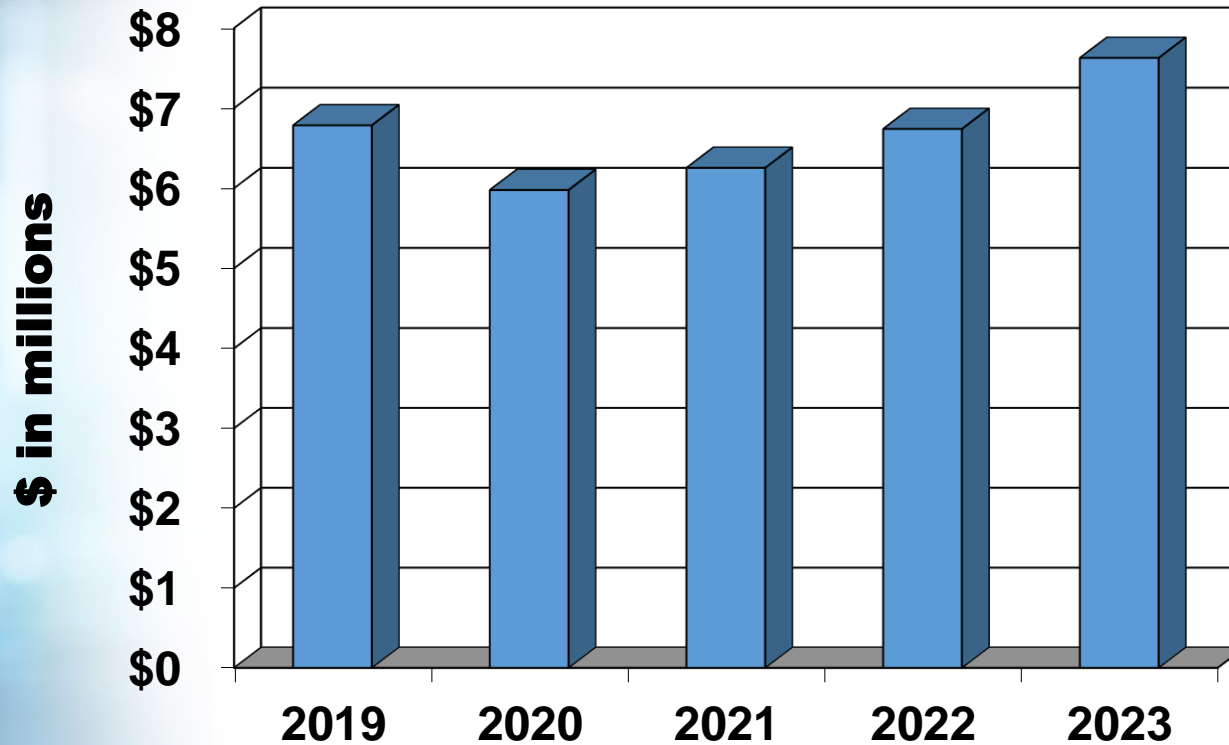
- Significant Accounting Estimates
 - Valuation allowances for accounts receivable
 - Carrying amounts of capital assets
 - Net pension and OPEB liabilities and related outflows and inflows

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, 2023, 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.*

Financial Observations

Government-Wide Net Position



Financial Observations

General Fund – Changes in Fund Balance

	2023	2022
Revenues	\$ 2,090,200	\$ 1,711,838
Expenditures	(1,954,833)	(1,406,921)
Other financing uses	(80,611)	(44,383)
Net change in fund balance	\$ 54,756	\$ 260,534

Financial Observations

General Fund – Compliance with Budget

	Budget	Actual	Variance
Revenues	\$1,495,088	2,192,123	697,035
Expenditures	(1,495,088)	(2,151,727)	(656,639)
Net change in fund balance	\$ -	40,396	40,396

Financial Observations

Enterprise Funds Operations

	2023	2022
Operating revenue	\$ 2,511,868	\$ 2,271,225
Operating expenses	(2,068,875)	(1,874,211)
Operating income	442,993	397,014
Nonoperating income	155,732	(29,462)
Net transfers	(107,100)	(107,500)
Change in net position	\$ 491,625	\$ 260,052

Internal Controls and Compliance

- Considered internal controls to design audit procedures, but not to express opinion on the effectiveness of controls.
- No material weaknesses noted.
- Performed procedures on compliance with Public Funds Investment Act and state competitive bidding requirements.
- No material instances of noncompliance noted.

Required Communications

- Letter to City Council
- Management Representation Letter and Summary of Uncorrected Misstatements



Questions?



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 600 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

January 16, 2024

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

We have audited the financial statements of City of Lorena, Texas (the “City”) as of and for the year ended September 30, 2023, and have issued our report thereon dated January 16, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 13, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Valuation allowance for doubtful accounts – Management's estimate of the allowance for doubtful accounts is based upon historical collections.
- Carrying amounts of capital assets – Management's estimate of carrying amounts of capital assets are the result of historical cost and useful lives of assets estimated based upon historical experience and industry suggested standards.
- Net pension liability and related deferred outflows and inflows of resources – Management's estimate of net pension liability and related deferred outflows and inflows of resources are based on actuarial assumptions and calculations as of the measurement date.
- Total OPEB liability and related deferred outflows and inflows of resources – Management's estimate of total OPEB liability and related deferred outflows and inflows of resources are based on actuarial assumptions and calculations as of the measurement date.

We evaluated the key factors and assumptions used to develop the items above and determined they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedules summarize uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 16, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedules of the changes in net pension/OPEB liability and related ratios, and the schedules of pension/OPEB contributions, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the supplementary information on pages 41 through 43 which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Mayor, the City Council and management of City of Lorena, Texas and is not intended to be and should not be used by anyone other than these specified parties.



City of Lorena
107-A S. Frontage Road
Lorena, Texas 76655
(254) 857-4641 Fax (254) 857-4118

January 16, 2024

Jaynes, Reitmeier, Boyd & Therrell, P.C.
P.O. Box 7616
Waco, Texas 76714-7616

This representation letter is provided in connection with your audit of the financial statements of City of Lorena, Texas (the "City") as of September 30, 2023 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 16, 2024:

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 13, 2023, for the preparation and fair presentation of the financial statements of the various opinion units in accordance with U.S. GAAP.
- 2) The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
- 3) We acknowledge our responsibility 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 - 5) We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
-
- 6) We have reviewed, approved, and taken responsibility for the financial statements and related notes.
 - 7) We have a process to track the status of audit findings and recommendations.
 - 8) We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
 - 9) Significant assumptions used by us in making accounting estimates are reasonable
 - 10) With respect to nonattest services provided, we have performed the following:
 - a) Made all management decisions and performed all management functions;
 - b) Assigned a competent individual to oversee the services;
 - c) Evaluated the adequacy of the services performed;
 - d) Evaluated and accepted responsibility for the results of the services performed; and
 - e) Established and maintained internal controls, including monitoring ongoing activities.
 - 11) All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
 - 12) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
 - 13) The effects of uncorrected misstatements summarized in the attached schedules and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
 - 14) The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 - 15) All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
 - 16) All funds and activities are properly classified.

- 17) All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- 18) All components of net position, nonspendable fund balance, and restricted, committed assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- 19) Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- 20) All revenues within the statement of activities have been properly classified as program revenues and general revenues.
- 21) All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- 22) All interfund and intra-entity transactions and balances have been properly classified and reported.
- 23) Deposit and investment risks have been properly and fully disclosed.
- 24) Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- 25) All required supplementary information is measured and presented within the prescribed guidelines.
- 26) With regard to pensions and OPEB:
 - a) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - b) Increases in benefits, elimination of benefits and all similar amendments have been disclosed in accordance with U.S. GAAP and are included in the most recent actuarial valuation, or disclosed as a subsequent event.
- 27) There have been no cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.

Information Provided

28) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements of the various opinion units, such as records, documentation, meeting minutes, and other matters;
- b) Additional information that you have requested from us for the purpose of the audit; and
- c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

29) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

30) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

31) We have provided to you our analysis of the City's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.

32) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

33) We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.

34) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

35) We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.

36) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, accounting, internal control, or financial reporting practices.

37) The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

- 38) We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.
- 39) We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- 40) We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- 41) There are no:
- a) Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b) Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB 62.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62.
 - d) Continuing disclosure consent decree agreements or filing with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- 42) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed to you.
- 43) We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 44) Provisions for uncollectible receivables have been properly identified and recorded.
- 45) We acknowledge our responsibility for the required supplementary information ("RSI") and supplementary information ("SI"). We believe the RSI and SI, including its form and content, is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We

have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI and SI. We acknowledge you did not audit the SI.

Very truly yours,

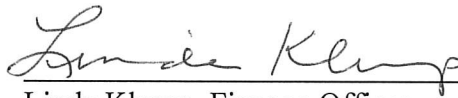
CITY OF LORENA, TEXAS



Kevin Neal, City Manager



Monica Hendrix, City Secretary



Linda Klump, Finance Officer

Summary of Uncorrected Misstatements - GWFS Governmental Activities

		<i>Financial Statement Effect of Uncorrected Misstatements: Debit (Credit)</i>					
		<i>Total Assets and Deferred Outflows</i>	<i>Total Liabilities and Deferred Inflows</i>	<i>Net Position</i>	<i>Revenues and Transfers In</i>	<i>Expenses and Transfers Out</i>	<i>Change in Net Position</i>
Financial Statement Balances, as reported		10,799,852	(11,261,435)	461,583	(2,868,831)	2,473,873	(394,958)
Effect of Current Period Uncorrected Misstatements		22,821	(29,957)	7,136	-	7,136	7,136
Effect of Prior Period Uncorrected Misstatements					(1,175)	(7,939)	(9,114)
Balance if Corrected		10,822,673	(11,291,392)	468,719	(2,870,006)	2,473,070	(396,936)
<i>No.</i>	<i>Description</i>						
1	To properly record accrued payroll as the client historically doesn't accrue payroll.	-	(7,062)	7,062	-	7,062	(7,062)
2	To properly record subscription liability and right-of-use asset under GASB 96.	17,562	(17,619)	57	-	57	(57)
3	To properly record lease liability and right-of-use asset under GASB 87.	5,259	(5,276)	17	-	17	(17)

Summary of Uncorrected Misstatements- GWFS Business-Type Activities

		<i>Financial Statement Effect of Uncorrected Misstatements: Debit (Credit)</i>					
		<i>Total Assets and Deferred Outflows</i>	<i>Total Liabilities and Deferred Inflows</i>	<i>Net Position</i>	<i>Revenues and Transfers In</i>	<i>Expenses and Transfers Out</i>	<i>Change in Net Position</i>
Financial Statement Balances, as reported		9,956,778	(1,868,117)	(8,088,661)	(2,695,015)	2,203,390	(491,625)
Effect of Current Period Uncorrected Misstatements		44,537	(31,202)	(13,335)	(56,729)	43,394	(13,335)
Effect of Prior Period Uncorrected Misstatements					46,686	(37,258)	9,428
Balance if Corrected		10,001,315	(1,899,319)	(8,101,996)	(2,705,058)	2,209,526	(495,532)
<i>No.</i>	<i>Description</i>						
1	To properly record unbilled water/sewer revenue. The City historically does not record unbilled water/sewer revenue.	56,729	-	(56,729)	(56,729)	-	(56,729)
2	To properly record accounts payable at year-end.	-	(58,627)	58,627	-	58,627	58,627
3	To properly record accrued interest payable.	-	27,831	(27,831)	-	(27,831)	(27,831)
4	To properly record sales tax payable at year-end	-	(406)	406	-	406	406
5	To properly record allowance for bad debts on utility receivables.	(12,192)	-	12,192	-	12,192	12,192

Summary of Uncorrected Misstatements - General Fund

		<i>Financial Statement Effect of Uncorrected Misstatements: Debit (Credit)</i>					
		<i>Total Assets and Deferred Outflows</i>	<i>Total Liabilities and Deferred Inflows</i>	<i>Fund Balance</i>	<i>Revenues and Transfers In</i>	<i>Expenditures and Transfers Out</i>	<i>Net Change in Fund Balance</i>
Financial Statement Balances, as reported		1,412,084	(57,044)	(1,355,040)	(2,206,483)	2,151,727	(54,756)
Effect of Current Period Uncorrected Misstatements		-	(7,062)	7,062	-	7,062	7,062
Effect of Prior Period Uncorrected Misstatements					(1,175)	(7,939)	(9,114)
Balance if Corrected		1,412,084	(64,106)	(1,347,978)	(2,207,658)	2,150,850	(56,808)
<i>No.</i>	<i>Description</i>						
1	To properly record accrued payroll as the client historically doesn't accrue payroll.	-	(7,062)	7,062	-	7,062	7,062

Summary of Uncorrected Misstatements - Water & Sewer Fund

		<i>Financial Statement Effect of Uncorrected Misstatements: Debit (Credit)</i>					
		<i>Total Assets and Deferred Outflows</i>	<i>Total Liabilities and Deferred Inflows</i>	<i>Net Position</i>	<i>Revenues and Transfers In</i>	<i>Expenses and Transfers Out</i>	<i>Change in Net Position</i>
Financial Statement Balances, as reported		9,803,064	(1,848,841)	(7,954,223)	(3,343,778)	2,702,745	(641,033)
Effect of Current Period Uncorrected Misstatements		44,537	(30,796)	(13,741)	(56,729)	42,988	(13,741)
Effect of Prior Period Uncorrected Misstatements					46,686	(35,156)	11,530
Balance if Corrected		9,847,601	(1,879,637)	(7,967,964)	(3,353,821)	2,710,577	(643,244)
<i>No.</i>	<i>Description</i>						
1	To properly record unbilled water/sewer revenue. The City historically does not record unbilled water/sewer revenue.	56,729	-	(56,729)	(56,729)	-	(56,729)
2	To properly record accounts payable at year-end.	-	(58,627)	58,627	-	58,627	58,627
3	To properly record accrued interest payable.	-	27,831	(27,831)	-	(27,831)	(27,831)
4	To properly record allowance for bad debts on utility receivables.	(12,192)	-	12,192	-	12,192	12,192

Summary of Uncorrected Misstatements - Sanitation Fund

		<i>Financial Statement Effect of Uncorrected Misstatements: Debit (Credit)</i>					
		<i>Total Assets and Deferred Outflows</i>	<i>Total Liabilities and Deferred Inflows</i>	<i>Net Position</i>	<i>Revenues and Transfers In</i>	<i>Expenses and Transfers Out</i>	<i>Change in Net Position</i>
Financial Statement Balances, as reported		153,714	(19,276)	(134,438)	(352,305)	501,713	149,408
Effect of Current Period Uncorrected Misstatements		-	(406)	406	-	406	406
Effect of Prior Period Uncorrected Misstatements					-	(2,102)	(2,102)
Balance if Corrected		153,714	(19,682)	(134,032)	(352,305)	500,017	147,712
<i>No.</i>	<i>Description</i>						
1	To properly record sales tax payable at year-end	-	(406)	406	-	406	406

City of Lorena, Texas
Financial Statements and
Supplementary Information
September 30, 2023
(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, 2023

Mayor Tommy Ross

Mayor Pro Tem Kelly Yarbrough

Alderman Katrina George

Alderman Brad Wetzel

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lorena, Texas as of September 30, 2023, 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.

January 16, 2024

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, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,627,078, an increase of \$886,583 from prior year. Of the \$7,627,078, \$4,805,281 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of 2023, the City's governmental funds reported combined ending fund balances of \$5,109,643, a decrease of \$3,007,641 in comparison with the prior year.
- At the end of 2023, unassigned fund balance for the general fund was \$767,467, or 39.3% of total 2023 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 35 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 of resources by \$7,627,078 at the close of the most recent fiscal year.

City of Lorena's Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 6,337,901	8,350,121	4,355,000	3,658,252	10,692,901	12,008,373
Capital assets, net	<u>4,272,137</u>	<u>1,067,116</u>	<u>5,556,742</u>	<u>5,899,892</u>	<u>9,828,879</u>	<u>6,967,008</u>
Total assets	<u>10,610,038</u>	<u>9,417,237</u>	<u>9,911,742</u>	<u>9,558,144</u>	<u>20,521,780</u>	<u>18,975,381</u>
Total deferred outflows of resources	<u>189,814</u>	<u>64,071</u>	<u>45,036</u>	<u>13,306</u>	<u>234,850</u>	<u>77,377</u>
Current liabilities	1,257,665	248,837	609,410	574,196	1,867,075	823,033
Noncurrent liabilities	<u>9,937,390</u>	<u>9,932,485</u>	<u>1,253,989</u>	<u>1,370,000</u>	<u>11,191,379</u>	<u>11,302,485</u>
Total liabilities	<u>11,195,055</u>	<u>10,181,322</u>	<u>1,863,399</u>	<u>1,944,196</u>	<u>13,058,454</u>	<u>12,125,518</u>
Total deferred inflows of resources	<u>66,380</u>	<u>156,527</u>	<u>4,718</u>	<u>30,218</u>	<u>71,098</u>	<u>186,745</u>
Net position:						
Net investment in capital assets	(2,417,667)	(3,213,913)	4,356,742	4,529,892	1,939,075	1,315,979
Restricted	693,989	711,462	671,370	652,312	1,365,359	1,363,774
Unrestricted	<u>1,262,095</u>	<u>1,645,910</u>	<u>3,060,549</u>	<u>2,414,832</u>	<u>4,322,644</u>	<u>4,060,742</u>
Total net position	<u>\$ (461,583)</u>	<u>(856,541)</u>	<u>8,088,661</u>	<u>7,597,036</u>	<u>7,627,078</u>	<u>6,740,495</u>

The City has investments in capital assets, net of related debt of \$1,456,438 at September 30, 2023 – an increase of \$140,459 from the prior year, primarily due to additions to construction in process for general government use offset by current year depreciation, disposals, and unspent bond proceeds. 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 \$1,365,359 of the City's net position at September 30, 2023 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net position of \$4,805,281 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	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 382,500	404,367	2,511,868	2,271,225	2,894,368	2,675,592
Capital grants and contributions	99,812	61,887	-	-	99,812	61,887
General revenues:						
Property taxes	915,856	747,149	-	-	915,856	747,149
Sales taxes	379,748	296,157	-	-	379,748	296,157
Franchise taxes	163,177	139,176	-	-	163,177	139,176
Unrestricted investment earnings	314,364	30,704	91,819	10,892	406,183	41,596
Gain on sale of capital assets	15,900	-	91,328	-	107,228	-
Miscellaneous	490,374	286,333	-	-	490,374	286,333
Total revenues	<u>2,761,731</u>	<u>1,965,773</u>	<u>2,695,015</u>	<u>2,282,117</u>	<u>5,456,746</u>	<u>4,247,890</u>
Expenses:						
General government	1,023,322	602,841	-	-	1,023,322	602,841
Public safety	1,035,739	818,714	-	-	1,035,739	818,714
Streets and parks	92,521	90,948	-	-	92,521	90,948
Interest and other charges	322,291	335,012	-	-	322,291	335,012
Water and sewer	-	-	1,867,043	1,769,434	1,867,043	1,769,434
Sanitation	-	-	229,247	145,131	229,247	145,131
Total expenses	<u>2,473,873</u>	<u>1,847,515</u>	<u>2,096,290</u>	<u>1,914,565</u>	<u>4,570,163</u>	<u>3,762,080</u>
Increase in net position before transfers	287,858	118,258	598,725	367,552	886,583	485,810
Transfers	<u>107,100</u>	<u>107,500</u>	<u>(107,100)</u>	<u>(107,500)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>394,958</u>	<u>225,758</u>	<u>491,625</u>	<u>260,052</u>	<u>886,583</u>	<u>485,810</u>
Net position, beginning 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>
Net position, end of year	\$ <u><u>(461,583)</u></u>	<u><u>(856,541)</u></u>	<u><u>8,088,661</u></u>	<u><u>7,597,036</u></u>	<u><u>7,627,078</u></u>	<u><u>6,740,495</u></u>

The increase in net position of governmental activities before transfers of \$287,858 is an increase of \$169,600 from prior year. The variance is primarily the result of an increase in investment earnings of \$284,000 due to improved market conditions in 2023, an increase of \$168,000 in property taxes due to higher assessed property valuations, and an increase in intergovernmental revenues resulting from additional school resource officer requirements at Lorena Independent School District. These increases in revenue were offset by increases to various expenses as a result of increases to repair and maintenance costs and the overall inflation impact on costs across the City. The increase in net position before transfers of business-type activities of \$598,725 is an increase of \$231,173 from the comparable amount in 2022. The variance is primarily the result of increases in charges for services due to increased wastewater and wholesale water rates and an increase in gallons sold compared to the previous year.

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 2023, the City's general fund reported an ending fund balance of \$1,355,040, an increase of \$54,756 in comparison with the prior year. Of this amount, \$767,467 constitutes an *unassigned fund balance*, which is available for spending at the government's discretion.

The capital projects fund and debt service fund reported a decrease in fund balance of \$2,894,892 and \$5,533, respectively. Capital projects fund decreases were the result of the spending of the prior year bond issuance for the street project. The TIRZ debt service fund had no change in fund balance. The TIRZ fund reported a decrease in fund balance of \$161,972, due primarily from a transfer out of \$245,968 to the TIRZ debt service fund for debt service principal and interest payments.

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 \$2,926,111. Net position for the water and sewer fund increased by \$641,033 during 2023. The change is the result of increases in wastewater and wholesale water rates and an increase in gallons of water sold in comparison to the previous year offset by 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 \$134,438. Net position for the sanitation fund decreased \$149,408 from prior year, resulting primarily from the City outsourcing the sanitation services to a third party in 2023.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget. During the year, sales tax revenues exceeded budgetary estimates due to increased activity from retailers. Additionally, miscellaneous revenues exceeded budgetary estimates by \$602,697. This variance was primarily due to an increase in other revenues related to the Bright Farms greenhouse project of approximately \$435,000, higher residential permits of about \$27,000, and unbudgeted development review reimbursements for engineering, legal expenses and inspection expenses of \$61,000. Moreover, the additional miscellaneous revenues include \$51,000 for increased revenues associated with the City's contract with Lorena Independent School District for additional school resource officers, and \$14,000 unbudgeted sale of seized vehicles. Budgeted fine revenues exceeded actual amounts by \$75,503 due to the downward trend in court fine revenues which is consistent with the decreasing budgetary amount for the last three fiscal years. Expenditures for general government exceeded appropriations by \$549,373 due primarily to higher costs for professional services related to inspections of \$419,000, engineering of \$31,000, and legal expenses of \$4,000. Public safety expenditures exceeded appropriations by \$110,030

due to an overage in property services of \$36,000 for repairs and maintenance for vehicles, equipment, and buildings, an overage of salaries and overtime paid of \$29,000 due to the retirement of the chief of police and the hiring of a new chief, and \$45,000 for other expenditures such as uniforms, training, minor tools, and software.

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, 2023, amounts to \$9,828,879 (net of accumulated depreciation) and is an increase of \$2,861,871 from the prior year, primarily due to capital additions of construction in process for the street project offset by current year depreciation. This investment in capital assets also 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	
	2023	2022	2023	2022	2023	2022
Land	\$ 21,006	21,006	14,128	14,128	35,134	35,134
Construction in process	3,379,756	215,800	-	-	3,379,756	215,800
Buildings and improvements	348,900	382,405	114,691	116,373	463,591	498,778
Infrastructure	190,834	231,166	-	-	190,834	231,166
Machinery and equipment	331,641	216,739	261,087	307,547	592,728	524,286
Water and sewer facilities	-	-	5,166,836	5,461,844	5,166,836	5,461,844
	<u>\$ 4,272,137</u>	<u>1,067,116</u>	<u>5,556,742</u>	<u>5,899,892</u>	<u>9,828,879</u>	<u>6,967,008</u>

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, 2023 includes general obligation and revenue bonds, bonds from direct placement, and refundable contracts. The amount of long-term debt decreased from the previous year due to scheduled principal repayments of \$385,000 and a reduction in premiums of \$21,495. These decreases were offset by an addition of \$35,000 in refundable contracts.

City of Lorena's Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation and revenue bonds	\$ 8,829,067	9,065,562	455,000	480,000	9,284,067	9,545,562
Bonds from direct placement	-	-	745,000	890,000	745,000	890,000
Refundable contracts	<u>825,800</u>	<u>790,800</u>	<u>-</u>	<u>-</u>	<u>825,800</u>	<u>790,800</u>
	<u>\$ 9,654,867</u>	<u>9,856,362</u>	<u>1,200,000</u>	<u>1,370,000</u>	<u>10,854,867</u>	<u>11,226,362</u>

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 2024 budget includes a decrease in the property tax rate from \$0.571145 per \$100 assessed value to \$0.537289 per \$100 assessed value. The tax rate decrease was approved based on the expected increase in assessed property valuations for 2023.

The City has been awarded funds of \$660,723 through the American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds through December 31, 2024. These funds were partially received directly from the U.S. Department of the Treasury and a portion was passed through from McLennan County, Texas. The City plans to utilize those funds to complete deferred utility infrastructure projects including a water line relocation, wastewater line rehabilitation, and installation of back-up generators at all water and sewer locations.

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, 2023

	Primary Government			Component Unit
	Governmental	Business-type		Lorena Economic
	Activities	Activities	Total	Development
				Corporation
Assets				
Cash and cash equivalents	\$ 6,426,162	2,639,703	9,065,865	718,185
Accounts receivable, net of allowance	144,225	261,664	405,889	255,813
Lease receivable	25,514	-	25,514	-
Internal balances	(258,000)	258,000	-	-
Prepaid expenses	-	85,708	85,708	-
Restricted cash and cash equivalents	-	1,109,925	1,109,925	-
Capital assets, not being depreciated:				
Land	21,006	14,128	35,134	-
Construction in process	3,379,756	-	3,379,756	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	348,900	114,691	463,591	-
Machinery and equipment	331,641	261,087	592,728	-
Infrastructure	190,834	-	190,834	-
Water and sewer facilities	-	5,166,836	5,166,836	-
Total assets	<u>10,610,038</u>	<u>9,911,742</u>	<u>20,521,780</u>	<u>973,998</u>
Deferred Outflows of Resources				
Deferred outflows of resources	<u>189,814</u>	<u>45,036</u>	<u>234,850</u>	<u>-</u>
Liabilities				
Accounts payable	1,192,010	37,423	1,229,433	-
Accrued interest payable	65,655	32,000	97,655	-
Unearned revenues	-	403,925	403,925	-
Customer deposits payable	-	136,062	136,062	-
Noncurrent liabilities:				
Due within one year	263,781	175,000	438,781	-
Due in more than one year	<u>9,673,609</u>	<u>1,078,989</u>	<u>10,752,598</u>	<u>-</u>
Total liabilities	<u>11,195,055</u>	<u>1,863,399</u>	<u>13,058,454</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred inflows of resources	<u>66,380</u>	<u>4,718</u>	<u>71,098</u>	<u>-</u>
Net Position				
Net investment in capital assets	(2,417,667)	4,356,742	1,939,075	-
Restricted for:				
Debt service	106,416	671,370	777,786	-
Public safety	<u>587,573</u>	<u>-</u>	<u>587,573</u>	<u>-</u>
Unrestricted	<u>1,262,095</u>	<u>3,060,549</u>	<u>4,322,644</u>	<u>973,998</u>
Total net position	<u>\$ (461,583)</u>	<u>8,088,661</u>	<u>7,627,078</u>	<u>973,998</u>

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Activities
Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,023,322	61,618	-	50,000
Public safety	1,035,739	320,882	-	49,812
Streets and parks	92,521	-	-	-
Interest and other charges	322,291	-	-	-
Total governmental activities	<u>2,473,873</u>	<u>382,500</u>	<u>-</u>	<u>99,812</u>
Business-type activities:				
Water and sewer	1,867,043	2,250,055	-	-
Sanitation	229,247	261,813	-	-
Total business-type activities	<u>2,096,290</u>	<u>2,511,868</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,570,163</u>	<u>2,894,368</u>	<u>-</u>	<u>99,812</u>
Component unit:				
Lorena Economic Development Corporation	<u>\$ 54,926</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
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
(911,704)		(911,704)	
(665,045)		(665,045)	
(92,521)		(92,521)	
(322,291)		(322,291)	
<u>(1,991,561)</u>		<u>(1,991,561)</u>	
	383,012	383,012	
	<u>32,566</u>	<u>32,566</u>	
	<u>415,578</u>	<u>415,578</u>	
<u>(1,991,561)</u>	<u>415,578</u>	<u>(1,575,983)</u>	
			<u>(54,926)</u>
915,856	-	915,856	-
379,748	-	379,748	190,088
163,177	-	163,177	-
314,364	91,819	406,183	15,689
15,900	91,328	107,228	-
490,374	-	490,374	-
107,100	(107,100)	-	-
<u>2,386,519</u>	<u>76,047</u>	<u>2,462,566</u>	<u>205,777</u>
394,958	491,625	886,583	150,851
<u>(856,541)</u>	<u>7,597,036</u>	<u>6,740,495</u>	<u>823,147</u>
<u>\$ (461,583)</u>	<u>8,088,661</u>	<u>7,627,078</u>	<u>973,998</u>

City of Lorena, Texas

Balance Sheet Governmental Funds

September 30, 2023

	General	Capital Projects	Debt Service	TIRZ Debt Service	TIRZ	Total Governmental Funds
Assets						
Cash and cash equivalents	1,245,500	4,808,472	98,236	4,525	269,429	6,426,162
Receivables, net of allowances	166,084	-	3,655	-	-	169,739
Due from other funds	500	-	-	-	-	500
Total assets	\$ 1,412,084	4,808,472	101,891	4,525	269,429	6,596,401
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 24,451	1,167,559	-	-	-	1,192,010
Due to other funds	-	-	-	-	258,500	258,500
Total liabilities	24,451	1,167,559	-	-	258,500	1,450,510
Deferred inflows of resources	32,593	-	3,655	-	-	36,248
Fund balances:						
Restricted for:						
Public safety	587,573	-	-	-	-	587,573
Debt service	-	-	98,236	4,525	-	102,761
Capital projects	-	2,139,263	-	-	-	2,139,263
Committed for capital projects	-	1,501,650	-	-	10,929	1,512,579
Unassigned	767,467	-	-	-	-	767,467
Total fund balances	1,355,040	3,640,913	98,236	4,525	10,929	5,109,643
Total liabilities, deferred inflows of resources and fund balances	\$ 1,412,084	4,808,472	101,891	4,525	269,429	
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.						4,272,137
The net pension liability (\$214,709) and pension-related deferred outflows of resources less deferred inflows of resources (\$160,341) are not due and payable in the current period and, therefore, are not reported in the funds.						(54,368)
The total OPEB liability (\$39,033) and OPEB-related deferred outflows of resources less deferred inflows of resources (\$11,393) are not due and payable in the current period, and therefore, are not reported in the funds.						(50,426)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.						10,734
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 (\$9,683,648) and accrued interest payable (\$65,655).						(9,749,303)
Net position of governmental activities						\$ (461,583)

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, 2023

	General	Capital Projects	Debt Service	TIRZ Debt Service	TIRZ	Total Governmental Funds
Revenues:						
Property taxes	\$ 590,336	-	306,418	-	11,880	908,634
Sales taxes	379,748	-	-	-	-	379,748
Franchise taxes	163,177	-	-	-	-	163,177
Fines	178,857	-	-	-	-	178,857
Intergovernmental	168,905	-	-	-	-	168,905
Investment earnings	34,253	266,271	2,253	-	11,587	314,364
Contributions and donations	-	-	-	-	50,000	50,000
Miscellaneous	574,924	-	-	-	-	574,924
Total revenues	<u>2,090,200</u>	<u>266,271</u>	<u>308,671</u>	<u>-</u>	<u>73,467</u>	<u>2,738,609</u>
Expenditures:						
Current:						
General government	966,381	4,000	-	-	-	970,381
Public safety	931,621	-	-	-	-	931,621
Streets and parks	31,736	-	-	-	-	31,736
Debt service:						
Principal	-	-	120,000	95,000	-	215,000
Interest and other charges	-	-	194,204	150,968	-	345,172
Capital outlay	25,095	3,360,774	-	-	24,471	3,410,340
Total expenditures	<u>1,954,833</u>	<u>3,364,774</u>	<u>314,204</u>	<u>245,968</u>	<u>24,471</u>	<u>5,904,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>135,367</u>	<u>(3,098,503)</u>	<u>(5,533)</u>	<u>(245,968)</u>	<u>48,996</u>	<u>(3,165,641)</u>
Other financing sources (uses):						
Proceeds from refundable contract	-	-	-	-	35,000	35,000
Proceeds from sale of capital assets	-	15,900	-	-	-	15,900
Transfers in	116,283	187,711	-	245,968	-	549,962
Transfers out	(196,894)	-	-	-	(245,968)	(442,862)
Total other financing sources (uses)	<u>(80,611)</u>	<u>203,611</u>	<u>-</u>	<u>245,968</u>	<u>(210,968)</u>	<u>158,000</u>
Net change in fund balances	54,756	(2,894,892)	(5,533)	-	(161,972)	(3,007,641)
Fund balances, beginning	<u>1,300,284</u>	<u>6,535,805</u>	<u>103,769</u>	<u>4,525</u>	<u>172,901</u>	<u>8,117,284</u>
Fund balances, ending	<u>\$ 1,355,040</u>	<u>3,640,913</u>	<u>98,236</u>	<u>4,525</u>	<u>10,929</u>	<u>5,109,643</u>

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, 2023

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)	\$ (3,007,641)
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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 capital outlay (\$3,385,871) exceeded depreciation (\$180,850) in the current period.	3,205,021
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,222
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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 principal repayments (\$215,000) exceeded increases to long-term debt less the change in accrued interest payable (\$12,119).	202,881
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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>(12,525)</u>
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Change in net position of governmental activities (page 2)	\$ <u><u>394,958</u></u>
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City of Lorena, Texas

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

Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 598,167	598,167	590,336	(7,831)
Sales taxes	290,200	290,200	379,748	89,548
Franchise taxes	214,600	214,600	240,277	25,677
Intergovernmental	-	-	34,194	34,194
Fines	240,000	240,000	164,497	(75,503)
Investment earnings	6,000	6,000	34,253	28,253
Miscellaneous	146,121	146,121	748,818	602,697
Total revenues	<u>1,495,088</u>	<u>1,495,088</u>	<u>2,192,123</u>	<u>697,035</u>
Expenditures:				
General government	545,295	545,295	1,094,668	(549,373)
Public safety	895,892	895,892	1,005,922	(110,030)
Streets and parks	53,901	53,901	51,137	2,764
Total expenditures	<u>1,495,088</u>	<u>1,495,088</u>	<u>2,151,727</u>	<u>(656,639)</u>
Net change in fund balance	-	-	40,396	40,396
Fund balance, beginning	<u>1,300,284</u>	<u>1,300,284</u>	<u>1,300,284</u>	<u>-</u>
Fund balance, ending	\$ <u><u>1,300,284</u></u>	<u><u>1,300,284</u></u>	<u><u>1,340,680</u></u>	<u><u>40,396</u></u>

See accompanying notes to financial statements.

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

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,509,105	130,598	2,639,703
Accounts receivable, net of allowance	238,548	23,116	261,664
Due from other funds	258,000	-	258,000
Prepaid expenses	85,708	-	85,708
Total current assets	<u>3,091,361</u>	<u>153,714</u>	<u>3,245,075</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,109,925	-	1,109,925
Capital assets:			
Land	14,128	-	14,128
Buildings and improvements	440,884	-	440,884
Water and sewer facilities	10,936,066	-	10,936,066
Machinery and equipment	750,988	-	750,988
Less accumulated depreciation	<u>(6,585,324)</u>	<u>-</u>	<u>(6,585,324)</u>
Total capital assets, net of accumulated depreciation	<u>5,556,742</u>	<u>-</u>	<u>5,556,742</u>
Total noncurrent assets	<u>6,666,667</u>	<u>-</u>	<u>6,666,667</u>
Total assets	<u>9,758,028</u>	<u>153,714</u>	<u>9,911,742</u>
Deferred Outflows of Resources			
Deferred outflow of resources	<u>45,036</u>	<u>-</u>	<u>45,036</u>
Liabilities			
Current liabilities:			
Accounts payable	18,147	19,276	37,423
Accrued interest payable	32,000	-	32,000
Unearned revenues	403,925	-	403,925
Customer deposits payable	136,062	-	136,062
Bonds payable - current	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Total current liabilities	<u>765,134</u>	<u>19,276</u>	<u>784,410</u>
Noncurrent liabilities:			
Bonds payable	1,025,000	-	1,025,000
Net pension liability	<u>53,989</u>	<u>-</u>	<u>53,989</u>
Total noncurrent liabilities	<u>1,078,989</u>	<u>-</u>	<u>1,078,989</u>
Total liabilities	<u>1,844,123</u>	<u>19,276</u>	<u>1,863,399</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>4,718</u>	<u>-</u>	<u>4,718</u>
Net Position			
Net investment in capital assets	4,356,742	-	4,356,742
Restricted for debt service	671,370	-	671,370
Unrestricted	<u>2,926,111</u>	<u>134,438</u>	<u>3,060,549</u>
Total net position	<u>\$ 7,954,223</u>	<u>134,438</u>	<u>8,088,661</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, 2023

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating revenues:			
Charges for sales and services pledged for security for general obligation bonds:			
Water sales	\$ 1,675,490	-	1,675,490
Sewer charges	526,258	-	526,258
Sanitation charges	-	257,829	257,829
Water and sewer tap fees	9,750	-	9,750
Penalties	37,066	-	37,066
Other	1,491	3,984	5,475
Total operating revenue	<u>2,250,055</u>	<u>261,813</u>	<u>2,511,868</u>
Operating expenses:			
Cost of sales and services	1,068,834	221,257	1,290,091
Depreciation	436,033	7,990	444,023
Administration	334,761	-	334,761
Total operating expenses	<u>1,839,628</u>	<u>229,247</u>	<u>2,068,875</u>
Operating income	<u>410,427</u>	<u>32,566</u>	<u>442,993</u>
Nonoperating revenues (expenses):			
Interest income	84,654	7,165	91,819
Interest expense and fiscal charges	(27,415)	-	(27,415)
Gain on sale of capital assets	8,001	83,327	91,328
Total nonoperating revenue (expenses)	<u>65,240</u>	<u>90,492</u>	<u>155,732</u>
Income before transfers	475,667	123,058	598,725
Transfers in	242,466	-	242,466
Transfers out	<u>(77,100)</u>	<u>(272,466)</u>	<u>(349,566)</u>
Change in net position	641,033	(149,408)	491,625
Net position, beginning	<u>7,313,190</u>	<u>283,846</u>	<u>7,597,036</u>
Net position, ending	<u>\$ 7,954,223</u>	<u>134,438</u>	<u>8,088,661</u>

See accompanying notes to financial statements.

City of Lorena, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2023

	Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and others	\$ 2,184,043	252,613	2,436,656
Payments to employees	(237,806)	-	(237,806)
Payments to suppliers and others	(1,153,186)	(206,639)	(1,359,825)
Net cash provided by operating activities	<u>793,051</u>	<u>45,974</u>	<u>839,025</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>165,366</u>	<u>(272,466)</u>	<u>(107,100)</u>
Net cash provided by (used in) noncapital financing activities	<u>165,366</u>	<u>(272,466)</u>	<u>(107,100)</u>
Cash flows from capital and related financing activities:			
Proceeds from disposal of capital assets	8,001	135,275	143,276
Acquisition and construction of capital assets	(152,821)	-	(152,821)
Transfers to other funds	(35,000)	(31,888)	(66,888)
Principal paid on capital debt	(170,000)	-	(170,000)
Interest and fiscal charges paid on capital debt	<u>(27,415)</u>	<u>-</u>	<u>(27,415)</u>
Net cash provided by (used in) capital and related financing activities	<u>(377,235)</u>	<u>103,387</u>	<u>(273,848)</u>
Cash flows from investing activities:			
Interest received	<u>84,654</u>	<u>7,165</u>	<u>91,819</u>
Net cash provided by investing activities	<u>84,654</u>	<u>7,165</u>	<u>91,819</u>
Net increase (decrease) in cash and cash equivalents	665,836	(115,940)	549,896
Cash and cash equivalents, beginning of year	<u>2,953,194</u>	<u>246,538</u>	<u>3,199,732</u>
Cash and cash equivalents, end of year	<u>\$ 3,619,030</u>	<u>130,598</u>	<u>3,749,628</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 410,427	32,566	442,993
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	436,033	7,990	444,023
Change in assets and liabilities:			
Increase in receivables	(73,442)	(5,388)	(78,830)
Increase in prepaid expenses	(5,041)	-	(5,041)
Increase in net pension liability	666	-	666
Increase in accounts payable	16,978	10,806	27,784
Increase in customer deposits	<u>7,430</u>	<u>-</u>	<u>7,430</u>
Net cash provided by operating activities	<u>\$ 793,051</u>	<u>45,974</u>	<u>839,025</u>

See accompanying notes to financial statements.

City of Lorena, Texas

Notes to Financial Statements

September 30, 2023

(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, TexasNotes 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, TexasNotes 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, TexasNotes 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, TexasNotes 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 balance 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 (continued)

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. Additionally, intergovernmental revenues from Lorena Independent School District are classified as miscellaneous revenues in the City’s budget. Below is a reconciliation of the net change in fund balances for the year ended September 30, 2023:

Net change in fund balance - budgetary basis	\$ 40,396
Adjustment related to financial activity of fine revenues restricted for public safety	<u>14,360</u>
Net change in fund balance - GAAP basis	<u><u>\$ 54,756</u></u>

During 2023, expenditures exceeded budgetary appropriations in the general fund by \$656,639 due primarily to higher costs for professional services related to inspections of approximately \$419,000, engineering of \$31,000, legal expenses of \$4,000, and public safety expenditures of \$110,030. Additionally, there was 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, 2023, that transfer totaled \$83,969.

(3) Deposits and Investments

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

Cash on hand	\$ 1,450
Cash in bank	3,862,290
Certificates of deposit	221,117
Local government investment pools	<u>6,090,933</u>
Total cash and cash equivalents	<u><u>\$ 10,175,790</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 28 days as of September 30, 2023. The weighted average maturity of TexSTAR is 29 days as of September 30, 2023.

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, 2023, 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, 2023, the discretely presented component unit's cash and cash equivalents of \$718,185 consisted of cash in bank of \$312,580 and investment in TexPool in the amount of \$405,605. At September 30, 2023, 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 2023 levy was based was \$157,716,602.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2023 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:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Receivables:					
Taxes	\$ 82,718	3,655	-	1,633	88,006
Leases	25,514	-	-	-	25,514
Intergovernmental	57,852				
Accounts	-	-	263,011	25,838	288,849
Gross receivables	166,084	3,655	263,011	27,471	460,221
Less allowance for uncollectibles	-	-	24,463	4,355	28,818
Net total receivables	<u>\$ 166,084</u>	<u>3,655</u>	<u>238,548</u>	<u>23,116</u>	<u>431,403</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. For the year ended September 30, 2023, the total amount of lease revenues and interest income recognized was \$6,635 and \$1,165, respectively.

The future payments that are included in the measurement of the lease receivable through maturity as of September 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	6,905	895	7,800
2025	7,186	614	7,800
2026	6,727	323	7,050
2027	4,696	102	4,798
Totals	<u>25,514</u>	<u>1,934</u>	<u>27,448</u>

(7) Capital Assets

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

Primary Government

	<u>Balance October 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2023</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 21,006	-	-	21,006
Construction in process	215,800	3,163,956	-	3,379,756
Total capital assets, not being depreciated	<u>236,806</u>	<u>3,163,956</u>	<u>-</u>	<u>3,400,762</u>
Capital assets, being depreciated:				
Buildings and improvements	872,596	14,000	-	886,596
Machinery and equipment	791,028	200,915	(67,371)	924,572
Infrastructure	752,554	7,000	-	759,554
Total capital assets, being depreciated	<u>2,416,178</u>	<u>221,915</u>	<u>(67,371)</u>	<u>2,570,722</u>

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

(7) Capital Assets (continued)

Primary Government (continued)

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
<u>Governmental activities:</u> (continued)				
Less: accumulated depreciation for:				
Buildings and improvements	\$ (490,191)	(47,505)	-	(537,696)
Machinery and equipment	(574,289)	(86,013)	67,371	(592,931)
Infrastructure	(521,388)	(47,332)	-	(568,720)
Total accumulated depreciation	(1,585,868)	(180,850)	67,371	(1,699,347)
Total capital assets, being depreciated, net	830,310	41,065	-	871,375
Governmental activities capital assets, net	\$ 1,067,116	3,205,021	-	4,272,137
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 14,128	-	-	14,128
Total capital assets not being depreciated	14,128	-	-	14,128
Capital assets, being depreciated:				
Buildings and improvements	425,130	17,491	(1,737)	440,884
Water and sewer facilities	10,861,066	75,000	-	10,936,066
Machinery and equipment	1,076,714	60,330	(386,056)	750,988
Total capital assets being depreciated	12,362,910	152,821	(387,793)	12,127,938
Less accumulated depreciation for:				
Buildings and improvements	(308,757)	(19,173)	1,737	(326,193)
Water and sewer facilities	(5,399,222)	(376,508)	6,500	(5,769,230)
Machinery and equipment	(769,167)	(48,342)	327,608	(489,901)
Total accumulated depreciation	(6,477,146)	(444,023)	335,845	(6,585,324)
Total capital assets, being depreciated, net	5,885,764	(291,202)	(51,948)	5,542,614
Business-type activities capital assets, net	\$ 5,899,892	(291,202)	(51,948)	5,556,742

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: \$26,907 to general government, \$93,158 to public safety, and \$60,785 to streets and parks.

The City's construction in process is comprised of engineering and construction costs associated with street improvement and bridge projects. Current year's CIP addition comprised of \$2,941,116 for the 2022 street bond project, and \$222,840 for the Old Temple Bridge project. Of the total of \$4,647,228 for these projects, remaining commitment for the CIP is \$1,483,272. Both projects are 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, 2023:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Due Within One Year
Governmental activities:					
General obligation and revenue bonds	\$ 8,800,332	-	215,000	8,585,332	235,000
Premiums	265,230	-	21,495	243,735	-
Refundable contracts	790,800	35,000	-	825,800	-
Net pension liability	-	292,505	77,796	214,709	-
Total OPEB liability	53,142	6,358	20,467	39,033	-
Compensated absences	22,981	28,781	22,981	28,781	28,781
	<u>9,932,485</u>	<u>362,644</u>	<u>357,739</u>	<u>9,937,390</u>	<u>263,781</u>
Business-type activities:					
General obligation bonds	480,000	-	25,000	455,000	30,000
Bonds from direct placement	890,000	-	145,000	745,000	145,000
Net pension liability	-	73,564	19,575	53,989	-
	<u>1,370,000</u>	<u>73,564</u>	<u>189,575</u>	<u>1,253,989</u>	<u>175,000</u>
	<u>\$ 11,302,485</u>	<u>436,208</u>	<u>547,314</u>	<u>11,191,379</u>	<u>438,781</u>

City of Lorena, Texas

Notes to Financial Statements (Continued)

(8) Long-Term Debt (continued)

General obligation bonds for governmental activities at September 30, 2023 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%	\$ 610,000
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%	1,695,332
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%	1,470,000
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>4,810,000</u>
	<u>\$ 8,585,332</u>

General obligation bonds for business-type activities at September 30, 2023 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>\$ 455,000</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:

Year Ended September 30,	Principal	Interest
2024	\$ 235,000	335,546
2025	255,000	326,551
2026	275,000	316,724
2027	295,000	305,910
2028	315,000	293,930
2029 -2033	1,830,000	1,259,981
2034 - 2038	2,240,000	848,885
2039 - 2043	2,360,000	359,975
2044 - 2047	<u>780,332</u>	<u>51,263</u>
	<u>\$ 8,585,332</u>	<u>4,098,765</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>
2024	\$ 175,000	24,704
2025	175,000	22,122
2026	175,000	19,540
2027	185,000	16,940
2028	185,000	14,205
2029 -2033	180,000	43,269
2034 - 2038	125,000	7,700
	<u>\$ 1,200,000</u>	<u>148,480</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 919 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 is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report ("Annual Report") that can be obtained at 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, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

Employees Covered by Benefit Terms – At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>17</u>
	<u>38</u>

Contributions

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

Employees for the City were required to contribute 6.0% of their annual gross earnings during the fiscal year. The contribution rate for the City was 10.14% and 10.50% in the calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$90,249 and were equal to the required contributions.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of December 31, 2022, 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, 2022 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 declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. 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. In order to determine the best estimate of investment return under the various alternative asset allocation portfolios, the actuarial firm focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). 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%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	<u>10.0%</u>	11.80%
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, 2021	\$ <u>2,256,689</u>	<u>2,275,976</u>	<u>(19,287)</u>
Changes for the year:			
Service cost	110,766	-	110,766
Interest on the total pension liability	154,627	-	154,627
Difference between expected and actual experience	(17,327)	-	(17,327)
Contributions - employer	-	80,044	(80,044)
Contributions - employee	-	45,740	(45,740)
Net investment income	-	(165,981)	165,981
Benefit payments, including refunds of employee contributions	(42,618)	(42,618)	-
Administrative expense	-	(1,438)	1,438
Other changes	<u>-</u>	<u>1,716</u>	<u>(1,716)</u>
Net changes	<u>205,448</u>	<u>(82,537)</u>	<u>287,985</u>
Balance at December 31, 2022	\$ <u>2,462,137</u>	<u>2,193,439</u>	<u>268,698</u>

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)	\$ 628,511	268,698	(26,224)

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.tnrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$94,087.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	23,484
Difference between projected and actual investment earnings, net	151,252	-
Changes in assumptions	689	-
Contributions subsequent to the measurement date	72,202	-
	\$ 224,143	23,484

City of Lorena, Texas

Notes to Financial Statements (Continued)

(9) Defined Benefit Pension Plan (continued)

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

The \$72,202 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31,	
2023	\$ 760
2024	26,759
2025	37,019
2026	<u>63,919</u>
	<u>\$ 128,457</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, 2022 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	4
Active employees	<u>17</u>
	<u>25</u>

Contributions

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

The City’s contributions to the SDBF for the year ended September 30, 2023 were \$814 and were equal to the required contributions.

Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2022 and the total was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability in the December 31, 2022 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	4.05% (based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2022)
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, 2022 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, 2022 was as follows:

	Total OPEB Liability
Balance at December 31, 2021	\$ <u>53,142</u>
Changes for the year:	
Service cost	5,336
Interest on the total OPEB liability	1,022
Difference between expected and actual experience	1,750
Changes in assumption or other inputs	(21,683)
Benefit payments **	<u>(534)</u>
Net changes	<u>(14,109)</u>
Balance at December 31, 2022	\$ <u><u>39,033</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 4.05%, 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 (3.05%) or one percentage point higher (5.05%) than the current rate.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's total OPEB liability	\$ <u><u>47,273</u></u>	<u><u>39,033</u></u>	<u><u>32,675</u></u>

City of Lorena, Texas

Notes to Financial Statements
(Continued)

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

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$4,331.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,450	3,450
Changes in assumptions	8,571	18,650
Contributions subsequent to the measurement date	686	-
	<u>\$ 10,707</u>	<u>22,100</u>

The \$686 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ended December 31,	
2023	\$ (2,027)
2024	(2,371)
2025	(1,929)
2026	(2,887)
2027	<u>(2,865)</u>
	<u>\$ (12,079)</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, 2023:

	Statements of Net Position		Balance Sheet	
	Governmental	Business-Type	General	Debt
	Activities	Activities - Water and Sewer	Fund	Service Fund
Deferred outflows of resources:				
Pension - post-measurement				
date contributions	\$ 57,695	14,507	-	-
Pension - changes in assumptions	551	138	-	-
Pension - differences between				
projected and actual earnings, net	120,861	30,391		
OPEB - changes in assumptions	8,571	-	-	-
OPEB - differences between				
expected and actual experience	1,450	-	-	-
OPEB - post-measurement				
date contributions	686	-	-	-
	<u>\$ 189,814</u>	<u>45,036</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable property tax revenue	\$ -	-	7,079	3,655
Unavailable lease revenue	25,514	-	25,514	-
Pension - differences between				
expected and actual experience	18,766	4,718	-	-
OPEB - differences between				
expected and actual experience	3,450	-	-	-
OPEB - changes in assumptions	18,650	-	-	-
	<u>\$ 66,380</u>	<u>4,718</u>	<u>32,593</u>	<u>3,655</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 has entered into a second agreement with a water authority to have available 1,500 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 2050.

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, 2023, the contract for this water agreement comprised 86% of the City's total cost of purchased water.

City of Lorena, Texas

Notes to Financial Statements (Continued)

(12) Commitments, Contingencies and Concentrations (continued)

The City entered into an agreement with Frontier Texas Ventures I, LLC, a private firm, to provide the City's solid waste services at a rate to be determined annually by Frontier Texas Ventures I, LLC. The term of the agreement is for a period ending September 30, 2027.

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

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 (the "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, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	TIRZ	\$ 500
Water and sewer	TIRZ	<u>258,000</u>
		<u>\$ 258,500</u>

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, 2023 is as follows:

		Transfers Out:				
		General	TIRZ	Water and Sewer	Sanitation	Total
Transfers in:						
General	\$	9,183	-	77,100	30,000	116,283
Capital projects		187,711	-	-	-	187,711
TIRZ debt service		-	245,968	-	-	245,968
Water and sewer		-	-	-	242,466	242,466
	\$	196,894	245,968	77,100	272,466	792,428

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) 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. 100, Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62 (issued June 2022) – the objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the City’s financial statements for the fiscal year beginning on October 1, 2024.

GASB Statement No. 101, Compensated Absences (issued June 2022) – the objective of this statement is to align recognition and measurement guidance for all types of compensated absences under a unified model which will result in entities recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The requirements of this statement are effective for the City’s financial statements for the fiscal year beginning on October 1, 2025.

Required Supplementary Information

City of Lorena, Texas

Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Measurement Dates

	2022	2021	2020
Total Pension Liability			
Service cost	\$ 110,766	103,527	106,870
Interest on the total pension liability	154,627	141,672	129,255
Change in benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	(17,327)	(17,755)	(4,692)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(42,618)	(35,681)	(55,930)
Net change in Total Pension Liability	205,448	191,763	175,503
Total Pension Liability - beginning	2,256,689	2,064,926	1,889,423
Total Pension Liability - ending (a)	<u>\$ 2,462,137</u>	<u>2,256,689</u>	<u>2,064,926</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 80,044	73,750	77,978
Contributions - employee	45,740	41,970	43,414
Net investment income	(165,981)	253,626	132,632
Benefit payments, including refunds of employee contributions	(42,618)	(35,681)	(55,930)
Administrative expense	(1,438)	(1,172)	(858)
Other	1,716	8	(32)
Net change in Plan Fiduciary Net Position	(82,537)	332,501	197,204
Plan Fiduciary Net Position - beginning	2,275,976	1,943,475	1,746,271
Plan Fiduciary Net Position - ending (b)	<u>\$ 2,193,439</u>	<u>2,275,976</u>	<u>1,943,475</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 268,698</u>	<u>(19,287)</u>	<u>121,451</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	89.09%	100.85%	94.12%
Covered payroll	<u>\$ 762,327</u>	<u>699,505</u>	<u>723,563</u>
Net Pension Liability (Asset) as a percentage of covered payroll	35.25%	(2.76%)	16.79%

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.

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
104,955	100,579	74,608	72,892	70,355	70,839
117,183	105,865	86,423	79,759	73,433	65,480
-	149,736	-	-	-	-
(13,787)	(7,773)	(2,295)	(17,503)	(6,338)	(9,510)
12,689	-	-	-	19,312	-
<u>(30,371)</u>	<u>(35,983)</u>	<u>(30,884)</u>	<u>(43,691)</u>	<u>(7,223)</u>	<u>(18,664)</u>
190,669	312,424	127,852	91,457	149,539	108,145
<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>	<u>909,337</u>
<u><u>1,889,423</u></u>	<u><u>1,698,754</u></u>	<u><u>1,386,330</u></u>	<u><u>1,258,478</u></u>	<u><u>1,167,021</u></u>	<u><u>1,017,482</u></u>
74,530	45,534	41,992	37,892	36,736	28,314
41,870	40,178	35,443	34,088	33,450	33,376
222,484	(42,932)	168,837	75,366	1,552	54,664
(30,371)	(35,983)	(30,884)	(43,691)	(7,223)	(18,664)
(1,257)	(830)	(875)	(852)	(946)	(571)
<u>(38)</u>	<u>(44)</u>	<u>(43)</u>	<u>(46)</u>	<u>(47)</u>	<u>(47)</u>
307,218	5,923	214,470	102,757	63,522	97,072
<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>955,309</u>
<u><u>1,746,271</u></u>	<u><u>1,439,053</u></u>	<u><u>1,433,130</u></u>	<u><u>1,218,660</u></u>	<u><u>1,115,903</u></u>	<u><u>1,052,381</u></u>
<u><u>143,152</u></u>	<u><u>259,701</u></u>	<u><u>(46,800)</u></u>	<u><u>39,818</u></u>	<u><u>51,118</u></u>	<u><u>(34,899)</u></u>
92.42%	84.71%	103.38%	96.84%	95.62%	103.43%
<u><u>697,839</u></u>	<u><u>669,634</u></u>	<u><u>590,721</u></u>	<u><u>568,134</u></u>	<u><u>557,491</u></u>	<u><u>556,265</u></u>
20.51%	38.78%	(7.92%)	7.01%	9.17%	(6.27%)

City of Lorena, Texas
Schedule of Pension Contributions
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 90,249	78,287	74,675	80,533
Contributions in relation to the actuarially determined contributions	<u>90,249</u>	<u>78,287</u>	<u>74,675</u>	<u>80,533</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	<u>\$ 868,591</u>	<u>743,190</u>	<u>704,046</u>	<u>749,321</u>
Contributions as a percentage of covered payroll	10.39%	10.53%	10.61%	10.75%

Notes to Schedule of Pension Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

<p>Actuarial Cost Method</p> <p>Amortization Method</p> <p>Remaining Amortization Period</p> <p>Asset Valuation Method</p> <p>Inflation</p> <p>Salary Increases</p> <p>Investment Rate of Return</p> <p>Retirement Age</p> <p>Mortality</p>	<p>Entry Age Normal</p> <p>Level Percentage of Payroll, Closed</p> <p>21 years (longest amortization ladder)</p> <p>10 Year smoothed market, 12% soft corridor</p> <p>2.50%</p> <p>3.50% to 11.50%, including inflation</p> <p>6.75%</p> <p>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</p> <p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.</p> <p>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.</p>
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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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
66,840	44,152	40,526	38,050	33,741
<u>66,840</u>	<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>-</u>
<u>693,814</u>	<u>668,197</u>	<u>590,721</u>	<u>568,134</u>	<u>557,491</u>
9.63%	6.61%	6.86%	6.70%	6.05%

See accompanying independent auditor's report.

City of Lorena, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Ten Measurement Dates

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 5,336	4,477	3,618	2,791	2,879	2,245
Interest on the total OPEB liability	1,022	1,002	1,128	1,133	1,002	922
Difference between expected and actual experience	1,750	(1,586)	(2,429)	(1,519)	(1,104)	-
Change of assumptions	(21,683)	1,619	6,604	7,790	(2,330)	2,560
Benefit payments **	(534)	(420)	(145)	(140)	(134)	(177)
Net change in Total OPEB Liability	(14,109)	5,092	8,776	10,055	313	5,550
Total OPEB Liability - beginning	53,142	48,050	39,274	29,219	28,906	23,356
Total OPEB Liability - ending	\$ 39,033	53,142	48,050	39,274	29,219	28,906
Covered-employee payroll	\$ 762,327	699,505	723,563	697,839	669,634	590,721
Total OPEB Liability as a percentage of covered-employee payroll	5.12%	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.

See accompanying independent auditor's report.

City of Lorena, Texas
Schedule of OPEB Contributions
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 814	504	356	150	139	177
Contributions in relation to the actuarially determined contributions	<u>814</u>	<u>504</u>	<u>356</u>	<u>150</u>	<u>139</u>	<u>177</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	<u>\$ 868,591</u>	<u>743,190</u>	<u>704,046</u>	<u>749,321</u>	<u>693,814</u>	<u>668,197</u>
Contributions as a percentage of covered-employee payroll	0.09%	0.07%	0.05%	0.02%	0.02%	0.03%

Notes to Schedule of OPEB Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	4.05%
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.

See accompanying independent auditor's report.

Supplementary Information

City of Lorena, Texas

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

September 30, 2023

	<u>Next Prorata Interest Payment*</u>	<u>Next Prorata Principal Payment*</u>	<u>Total Required</u>
\$635,000 Combination tax and revenue certifications obligation Series 2017	\$ 4,016	3,770	7,786
\$1,170,000 General obligation refunding bonds Series 2020	<u>4,274</u>	<u>36,052</u>	<u>40,326</u>
Required balance	<u>\$ 8,290</u>	<u>39,822</u>	48,112
Actual balance included in restricted cash and cash equivalents			<u>703,370</u>
Excess balance			<u>\$ 655,258</u>

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

See accompanying independent auditor's report.

City of Lorena, Texas

Schedule of Insurance Coverage
(Unaudited)

September 30, 2023

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	10,834,977
	Flood and earthquake	1,500,000
	Mobile equipment	382,361
	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.

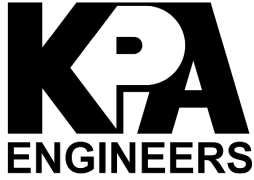
City of Lorena, Texas
Schedule of Water and Sewer Connections,
and Water Accountability
(Unaudited)
Year Ended September 30, 2023

On September 30, 2023, there were 1,050 active water connections and 613 active sewer connections. The following water schedule indicated the accountability for gallons of water in the system for 2023:

Gallons of water sold	184,591,900
Gallons of water used for municipal purposes	180,100 *
Gallons of water lost	<u>81,204,000 **</u>
Total gallons pumped	<u><u>265,976,000</u></u>

* Fire department and monthly main flushing not metered.

** Seasonal line breaks included in water loss.



19 North Main Street • Temple, TX 76501 • (254) 773-3731
800 South Austin Ave • Georgetown, TX 78626 • (512) 819-9478

February 21, 2024

Mr. Kevin Neal
City of Lorena
107-A South Frontage Road
Lorena, Texas 76655

Re: City of Lorena
Rosenthal Estates – Phase 1
Final Walkthrough

Dear Mr. Neal:

A follow-up to the final walkthrough was conducted on February 6, 2024. All punchlist items have been completed by the contractor and as-builts have been submitted to the City.

At this time, we recommend acceptance of the public infrastructure for the referenced project by the City of Lorena contingent upon receipt of the 1-year maintenance bond from the developer. Please also note that an additional 2-years (3-years in total) have been added to the warranty on the pavement of the streets. If you have any questions or comments, please call.

If you have any questions or comments, please call.

Sincerely,

A handwritten signature in blue ink, appearing to read 'John A. Simcik'.

John A. Simcik, P.E., C.F.M.
Principal
jsimcik@kpaengineers.com

Subject:

Discussion and possible action on Budget Amendment 2024-02

Background Information:

Current Findings:

The attached proposal would amend the approved FY 2024 budget for:

1. Reclassification of reimbursement from LISD per auditor recommendation
2. Reclassification of wholesale water sales to better track commercial and wholesale water sales
3. Amend Utility Capital Projects fund budget for Utility Rate Study approved by Council on November 20, 2023

Recommendation:

Staff recommends approval of Budget Amendment 2024-02

CITY OF LORENA
PROPOSED BUDGET ADJUSTMENTS (2024-2)
FY 2023-24

	BUDGET FY 2023-24	AMEND #1	ADJUSTED BUDGET FY 2023-24
POLICE			
10-390-010 OTHER REVENUE - LISD	(265,457)	265,457	-
10-338-800 REV-LORENA ISD	-	(265,457)	(265,457)
	<u>(265,457)</u>	<u>-</u>	<u>(265,457)</u>
RECLASS REVENUE FROM SCHOOL RESOURCE OFFICERS REIMBURSEMENT TO INTERGOVERNMENTAL REVENUE AS RECOMMENDED BY AUDITORS			
WATER/SEWER			
50-340-001 WATER-COMMERCIAL	(518,800)	180,000	(338,800)
50-340-090 WATER-WHOLESALE	-	(180,000)	(180,000)
	<u>(518,800)</u>	<u>-</u>	<u>(518,800)</u>
RECLASS REVENUE FROM WHOLESALE WATER SALES			
UTILITY CAPITAL PROJECTS			
53-435-329 UTILITY SPECIAL PROJECTS	-	49,911	49,911
	<u>-</u>	<u>49,911</u>	<u>49,911</u>
INCLUDE BUDGET FOR RATE STUDY AS APPROVED BY COUNCIL 11/20/23			

**AN ANALYSIS OF RACIAL PROFILING
LORENA POLICE DEPARTMENT
FOR YEAR 2023**



Lorena Police Department

100 N. Bordon St.

Lorena, Texas 76655

(Prepared in February, 2024)

Reviewed and Approved

A handwritten signature in black ink, appearing to read "Scott Holt".

Scott Holt, Chief of Police

Date:

2-14-24

EXECUTIVE SUMMARY

An analysis of the traffic stops made by Police Officers employed by the City of Lorena (Lorena Police Department) is presented herein. The Department currently consists of a Chief of Police, one Patrol Sergeant, one SRO Sergeant, one K-9 Officer, three SRO Officers, and three Patrol Officers. (a total of ten (10) sworn employees). The department has one non-sworn employee and one part-time accreditation manager.

The Lorena Police Department is committed to respecting the constitutional rights of all individuals in the performance of its duties and has strict policy clearly stating this commitment. Our success is based on the respect, trust, and transparency we give to citizens of our communities, and the respect members of the community give to law enforcement. To this end, we exercise our sworn duties, responsibilities, and obligations in a manner that does not discriminate on the basis of race, sex, gender, national origin, ethnicity, age, or religion. All people carry biases: in law enforcement, however, the failure to control our biases can lead to illegal arrests, searches, and detentions; thus, thwarting the mission of our department and profession. Most importantly, actions guided by bias destroy the trust and respect essential for our mission to succeed. We live and work in a community very diverse in population; therefore, respect for diversity and equitable enforcement of the law are essential to our mission.

All enforcement actions, particularly stops of individuals (for traffic and other purposes), investigative detentions, arrests, searches, and seizures of persons or property are based on the standards of reasonable suspicion or probable cause as required by the Fourth Amendment of the U. S. Constitution and statutory authority. In all enforcement decisions, officers are able to articulate specific facts, circumstances, and conclusions which support reasonable suspicion or probable cause for arrests, searches, seizures, and stops of individuals. Officers do not stop, detain, arrest, search, or attempt to search anyone based solely upon the person's race, ethnic background, gender, sexual orientation, religion, economic status, age, cultural group, or any other identifiable group. Officers base all such actions on a reasonable suspicion or probable cause that the person or an occupant of a vehicle committed an offense.

All departmental orders are informed and guided by a written policy (Policy 2.2.1, Biased Based Policing) which became effective on December 6, 2017. All Lorena Police Officers have a copy of this policy and have been trained in its provisions. Officers understand that actions prohibited by this policy are cause for disciplinary action, up to and including dismissal.

There were 2,113 traffic related stops made during 2023 (an increase of 483 (29.63%) stops from 2022). Of these stops, 388 (18.36%) were Black drivers. The most recent demographics provided by the US Census Bureau for Waco, Texas, shows that 20.84% of the population are Black as of July 1, 2023. The 388 stops fall below the range expected for the population data. Thus, statistics (presented later in this report) shows that Officers stopped an appropriate number of Black drivers at a 99% level of confidence.

Of the 2113 stops, 583 (27.59%) of the drivers were Hispanic. The population data shows that 31.05% of the population are Hispanic as of July 1, 2023. The 583 stops fall below the range expected for the population data. Thus, statistics (presented later in this report) shows that officers

stopped an appropriate number of Hispanic drivers that were expected to be stopped at a 99% level of confidence.

However, there are a number of factors that influence these results, to wit:

1. It is doubtful that the US Census Bureau data reflects the correct percentage of drivers on Interstate 35. Lorena, Texas, is a suburb of Waco, Texas. Thus, our benchmark data may not be representative of the actual number of drivers on IH 35; however, represents the best estimate available.
2. Before the stops were made, officers recognized only 0.09% (2 of 2113 stops) of the race of the driver. This implies that the ethnicity revealed by the traffic stops is a much better measure of the true ethnicity percentages than the population data.

An indicator of whether a police agency is engaged in racial profiling is the number of negative outcomes of racial profiling allegations. During 2023, the Lorena Police Department received no complaints in this matter.

The weakness of this analysis is the lack of an accurate benchmark. The City of Lorena is located along Interstate 35. Vehicular travel in the patrol area is quite diverse. Local, county, state, national and international drivers use the roadways. Therefore, it is extremely difficult to determine the racial distribution of the drivers. There are several complicating factors that are discussed in the following sections of this report.

The report examines one additional aspect of potential racial equality issues – “Does equality exist when deciding to search a person or property?” An analysis of searches for both Black and Hispanic drivers show no racial bias in the decision by officers to conduct a search. This is documented later in the report.

STATE OF TEXAS RACIAL PROFILING REPORT SUBMITTAL

Attached is a copy of the report filed with the State of Texas concerning racial profiling. This data is compiled by a contract service, CopSync. The Lorena Police Department uses CopSync for management of the Citations and Warnings issued to drivers during traffic stops. Officers provide data online to CopSync for each stop and they compile the data. We believe the data to be accurate and reliable.

RELIABILITY OF ANALYSIS

Our department collects data on the racial makeup of the drivers that are stopped by officers. Examination of this data indicates that our officers do not engage in racial profiling. While every effort is made to perform a fair and just analysis, there are a number of factors that influence the true nature of the results.

Accuracy of data collected

The data collected by the police officers concerning racial information appears to be accurate. Number of stops, breakdown of ethnicity, factors such as searches, etc., are recorded for each stop and compiled. Ethnicity is included in DPS records when the officer pulls up the license of the driver. This information reflects information that was provided by the individual when the license was obtained. Thus, it is the ethnic data which the individual claims. In instances where the individual has a multi-ethnic status, the record reflects that chosen by the individual. In instances when the officer does not pull up the DPS data, a judgement is made by the officer without consulting with the driver.

An audit is performed by an unbiased party to further assure the ethnic identity of the driver (presented in a section of this report presented below). The party observes body worn camera video of three randomly selected stops by each officer monthly and records apparent racial data based strictly on appearance. This rarely conflicts with the data recorded by the officer; however, appearance alone can sometimes be deceiving, especially in instances where the individual is multi-racial, where darkness is an issue, where a mask and large glasses are being worn, etc.

In summary, the audit shows that the racial data recorded by the officers are accurate.

Accuracy of population (i.e., benchmark)

A major problem with this (and similar) analysis is the lack of accurate information available on the population of stopped drivers. First and foremost is the identification of who constitutes the population. Cities like ours with an interstate highway may have drivers from a very widespread origin - local, county, state, country, and international. It is virtually impossible to accurately identify the racial proportion of the drivers traveling on the roadways.

Several methods to approximate the population have been used by analysts. Following a study by the University of Kentucky, some departments have used the population of “not-at-fault” drivers in crashes occurring within their area. The rationale being that drivers in the area have an equal chance of being the victim of a crash. As discussed later in this report, the Lorena Police Department stops only drivers who violate the law or exhibit unsafe driving practices. Thus, while using crash data may be useful, it appears that the “at-fault” drivers in a crash better represents the population of drivers who are stopped in our area. Drivers that exhibit unsafe driving practices are more likely to crash. This is exactly the population of drivers that should be (and are) stopped for violations. This has a chance of modifying the driver’s habits to create a safer environment for them and the public in general (and hopefully reduce crash fatalities). Unfortunately, this is subject to controversy.

Another method of comparison uses darkness as a means of measuring police racial bias (this is sometimes called the “veil of darkness” method). The idea is that officers cannot see drivers well enough during darkness to identify their race. Therefore, if there is a higher proportion of black drivers stopped during daylight hours than at night, the officers must be racially biased.

Unfortunately, there is no data to compare the number of black drivers at night versus those driving during the daylight. Differences in occupations, transportation options available to different races, and many other factors define night-time versus day-time drivers. The proportions are apparently different; but there are no good methods to quantify them. Thus, the method does not appear to be scientifically justified.

The American Communities Survey, U.S. Census Bureau, and the Fair Roads Standard Data has been used by some Police Departments. This data determines the number of households in an area that report the ownership of an automobile and records the ethnicity of the head-of-household. Unfortunately, it does not determine the number of drivers in the household. This number may vary greatly depending on the number of family members and the age of the occupants. It does not identify drivers that violate traffic laws. It does not solve the problem of the area or region to be used in determining the number of households. It assumes that the ethnicity of the driver is that of the head-of-household. Inter-racial marriages, adoption of children of a different race, etc. are not addressed even though they influence the driver population.

During 2023, all except two (2) of the stops by our agency were executed without the officer knowing the race of the driver. This begs the question of how the officers can practice racial bias when they don't know the race of the person being stopped? It appears that the only opportunity for racial bias is for the officer to purposely record incorrect information (i.e., record a black driver as white). The audit of a random set of stops, as discussed above, mitigates this possibility. The results strongly support the fact that officers accurately report the driver's race.

We are challenged in identifying the population (benchmark). Officers stop only those drivers who violate the law or who exhibit dangerous practices (e.g., weaving among traffic lanes or using the wrong lane). What is the population of drivers that violate traffic laws? There is no data that comes even close to answering this question. Some might use the population of an area or regions as the population for drivers that violate traffic laws, as we have done in this report. This incorporates the absurd assumption that everyone in the selected area is a driver and that everyone violates traffic laws. The population generally includes non-drivers, such as children, elderly, incapacitated, and those that never learned to drive. There is no known data to separate out the drivers. Even if they could be separated, what area or region should be selected? Drivers from all over the U.S., Mexico, Canada, and beyond may be behind the wheel of a vehicle at any location. Since we can't identify the drivers, we likewise can't identify their ethnicities. We know of no attempt to scientifically examine this issue.

The results of the analysis could be improved by (1) Separating the population and sample by age group for analysis. There may be a significant difference in the potential for speeding (or other violation) by age group and this may have an influence on the results. A retirement community and a college community may have different characteristics even though the general racial proportions are the same. A quick review of articles obtained by an internet search indicates that the age of the driver indicates the propensity to violate traffic laws. The group with the most speeding tickets is between the ages of 17 and 24. Also, the most frequent age of a driver involved in an accident is 17. Thus, it would behoove an analysis of racial profiling to

examine the ages of the drivers stopped and their ethnicities. (2) Separating the population and sample by time of the stop. Different classes of people travel at different times of the day and may influence the results. Time of day that a traffic stop is made may be important in the analysis of racial profiling. Some ethnic groups are reported to engage in driving more often during certain hours of the day. A large number of stops during certain times of the day may skew the results of the analysis. (3) Separating the population and sample by location of the stop. A local Lorena street may have a different group of drivers than those driving on the interstate. (4) Separating the population and sample based upon driving/crash record. Only drivers who violate the law (or exhibit unsafe practices) are stopped and, thus, should constitute the population. (5) Separate on the type of vehicle driven. (6) Separate on the occupation of the driver. A well-constructed analysis should always take factors that may influence the results into account. Unfortunately, such an analysis is well beyond the resources and data availability of local police departments.

Since the officers do not know the race of the driver prior to the stop (except in two cases), the stops made by the officers is the best indication of the population of drivers. However, this leads to the unfortunate result that no analysis is available. Current analysis of racial bias by police departments is woefully short of good analytical practices. The depth of data and tools must be developed to make the results meaningful.

In summary, there does not appear to be an adequately definable population from which the stops made by a specific Police Department sample can be drawn.

AUDIT OF RACIAL DATA

Attachment II is the result of an audit of the racial information recorded by the police officers during traffic stops. This audit was conducted in the following manner:

1. Three citations (where available) were randomly selected per month per police officer.
2. The Body Worn Camera (BWC) video for the traffic stop was viewed by an independent party.
3. The independent party recorded the race of the driver using only the driver's appearance. Occasionally, the video did not capture the face of the driver or was too dark for adequate observation. In such case, a substitute video was randomly selected (if available). The observation of appearance was made without knowledge of the name of the driver. This information was later found to add significant racial information and is included in the comments of the audit. There were several instances where the driver appeared to be racially mixed, making the selection of race by observation quite difficult.
4. Once observations were made for all officers, the independent party observed the actual citation and recorded the race provided by the officer.
5. The procedure was followed for each month of the year 2023.

The correlation between the audit racial information and that recorded by the officer are in agreement for most stops. The added information of the driver's name helps to resolve many of the differences. Considering the fact that appearances alone can result in an incorrect racial classification, the audit reflects that the officers correctly record racial data.

BENCHMARK DATA

The benchmark population for this analysis is the most recent data (July 1, 2023) from the US Census Bureau, Waco, Texas. Lorena, Texas is a small community just south of Waco; Texas located in McLennan County; thus, the data represents drivers in the area patrolled by the Lorena Police Department. The population/demographics from the July 1, 2023 US Census Bureau, QuickFacts, is as follows:

<u>Race</u>	<u>Population - %</u>	<u>Adjusted Percent %</u>
White (alone)	44.90%	45.86%
Black (alone)	20.40%	20.84%
Hispanic (alone)	30.40%	31.05%
Asian (alone)	1.90%	1.94%
All Other	0.30%	0.31%
2 or more races	<u>2.30%</u>	<u>0.00%</u>
Total	97.90%	100.00%

Notice that the raw US Census data adds to 97.90%. It also includes a category for "2 or more races." Demographic data collected by our agency does not include a category for multiple races. This introduces some inexactness or error in the data. We assume that the deviation from 100% of the population is proportionally distributed among all races. We also have equally distributed the value for two or more races to an individual race. Thus, the numbers used in our analysis have been adjusted and presented in the righthand column.

Consistent with the grouping as presented above, the benchmark for the ethnicity of drivers stopped by the Lorena Police Department is: White – 45.86%, Black – 20.84%, Hispanic – 31.05%, and Asian and Other – 2.25%.

SAMPLE DATA

Sample data is a compilation of data from the information recorded by police officers during traffic stops. This data is electronically recorded and compiled by a contract company, CopSync. The data are as follows:

<u>Race</u>	<u>Stops</u>	<u>Percent</u>
White	1,017	48.13%
Black	388	18.36%
Hispanic	583	27.59%
Asian/Pacific Islander	120	5.68%
Alaska Native/American Indian	5	0.24%
Total	1,630	100.00%

ANALYSIS OF RACIAL PROFILING FOR BLACK DRIVERS

The purpose of this analysis is to determine if Lorena Police Officers exercised bias in stopping motorists. To make this determination, we will use a simple statistical analysis with the following hypothesis:

Null Hypothesis: The proportion of Black drivers stopped by the Lorena Police Department is not significantly different from the proportion of Black residents in the benchmark data.

Alternate Hypothesis: The proportion of Black drivers stopped by the Lorena Police Department is significantly different from the proportion of Black residents in the benchmark data.

Failure to reject the null hypothesis at 3 standard deviations (a 99.7% level of confidence) implicitly implies that Lorena Police Department officers do not practice racial profiling. A rejection implies that racial profiling may be practiced.

It is well known that proportions are distributed as a binomial distribution. However, for large samples, the binominal distribution is insignificantly different from a normal distribution. Our procedure will be to perform a test to see if the sample is large enough to be analyzed using a normal distribution.

The population proportion of Black drivers is 0.2084 (20.84%) from the benchmark data. The sample data shows that 388 Black drivers were stopped for 18.36%. The sample size is 2,113. The test for using the normal distribution instead of the binominal distribution is when both sample size times the population proportion and the sample size times the one minus the population proportion are greater than 15. Thus, $2,113 \times 0.2084 = 440.35$ and $2,113 \times (1 - 0.2084) = 1,672.65$, both being greater than 15. Therefore, the normal distribution statistics can be used.

The number of stops that should have been made in a sample of size 2,113 is the population proportion times the sample size. Thus, $2,113 \times 0.2084 = 440.35$ stops should have been made. Of course, pure chance will cause the actual number to differ. To evaluate this, we will use the measure of 3 standard deviations (99.7% level of confidence) around this ideal number to account for pure chance. One standard deviation is determined as follows:

$$\sigma = \text{square root of } (2113 \times 0.2084) \times (1 - 0.2084)) = 18.87$$

Therefore, the number of actual stops should fall within:

$$440.35 + 3 \times 18.67 = 496.36$$

and

$$440.35 - 3 \times 18.67 = 384.34$$

The actual number of stops was 388, well within the data range for pure chance. Thus, the analysis shows that we are 99.7% confident that Police Officers stopped an appropriate number of Black drivers. Sample data shows that the ethnicity of only two of the 2113 stops were made with the officer knowing the race of the driver before making the stop. Therefore, the data clearly shows that no racial bias is indicated.

ANALYSIS OF RACIAL PROFILING FOR HISPANIC DRIVERS

The analysis for Hispanic drivers is identical to that for Black drivers, except for the values. Using the population data, $2,113 \times 0.2084 = 440.35$ stops should have been made. The standard deviation for Hispanic drivers is:

$$\sigma = \text{square root of } (2113 \times 0.3105 \times (1 - 0.3105)) = 21.27$$

Therefore, the number of actual stops should fall within:

$$440.35 + 3 \times 21.27 = 719.90$$

and

$$440.35 - 3 \times 21.27 = 592.28$$

The actual number of stops was 583, which is slightly below the distribution range for pure chance at a 99.7% level of confidence. Thus, the analysis shows that approximately 9 fewer Hispanics were stopped than anticipated. Sample data shows that the ethnicity of none of the 2,113 stops were made with the officer knowing the race of the driver before making the stop. Therefore, the data clearly shows that no racial bias is indicated.

ANALYSIS OF SEARCHES

Analysis of Black Drivers

In this section of the report we will address the question if Black and Hispanic drivers were subjected to searches more often than were white motorists. Of the 2,113 stops, 92 searches

were made. The searches should be roughly in proportion to the benchmark population. Ethnicity of those searched is:

Race	Number	Percentage	Benchmark
White	30	37.61%	45.86%
Black	27	29.35%	20.84%
Hispanic	34	36.96%	31.05%
Other	1	1.09%	2.25%

Since the population for searches is much lower than for stops, we need to check to see if the normal distribution can be used. The population proportion of Black drivers is 0.2084 (20.84%) from the benchmark data. The sample data shows that 27 Black drivers were searched (29.35%). The sample size is 92. The test for using the normal distribution instead of the binominal distribution is when both sample size times the population proportion and the sample size times the one minus the population proportion are greater than 15. Thus, $92 \times 0.2084 = 19.17$ and $92 \times (1 - 0.2084) = 72.83$. Since both values are greater than 15, we can use the normal distribution. To evaluate this, we will use the measure of 3 standard deviations (99.7% level of confidence) around this ideal number to account for pure chance. One standard deviation is determined as follows:

$$\sigma = \text{square root of } (92 \times 0.2084 \times (1 - 0.2084)) = 3.90$$

Therefore, the number of actual searches should fall within:

$$19.17 + 3 \times 3.90 = 30.87$$

and

$$19.17 - 3 \times 3.90 = 8$$

The actual number of searches was 27, within the data range for pure chance. Thus, the analysis shows that we are 99.7% confident that Police Officers searched an appropriate number of Black drivers and no bias is indicated.

Analysis for Hispanic Drivers

A similar analysis for Hispanic drivers is presented. The number of searches that should have been made in a sample of size 92 is the population proportion times the sample size. Thus, $92 \times 0.3105 = 28.57$ searches should have been made. Of course, pure chance will cause the actual number to differ. The test for using the normal distribution instead of the binominal distribution is when both sample size times the population proportion and the sample size times the one minus the population proportion are greater than 15. Thus, $92 \times 0.3105 = 28.57$ and $92 \times (1 - 0.3105) = 63.43$. Since both values are greater than 15, we can use the normal distribution. To evaluate this, we will use the measure of 3 standard deviations (99.7% level of confidence) around this ideal number to account for pure chance. One standard deviation is determined as follows:

$$\sigma = \text{square root of } (92 \times 0.3105 \times (1 - 0.3105)) = 4.44$$

Therefore, the number of actual searches should fall within:

$$28.57 + 3 \times 4.44 = 41.89$$

and

$$28.57 - 3 \times 4.44 = 15.25$$

The actual number of searches was 34, within the data range for pure chance. Thus, the analysis shows that we are 99.7% confident that Police Officers searched an appropriate number of Hispanic drivers and no bias is indicated.

ATTACHMENT I

RACIAL PROFILING REPORT
REQUIRED BY STATE OF TEXAS

Racial Profiling Report | Full

Agency Name: LORENA POLICE DEPARTMENT
Reporting Date: 02/15/2024
TCOLE Agency Number: 309206

Chief Administrator: JEFFREY S. HOLT

Agency Contact Information:
Phone: (254) 857-9614
Email: police@lorenatx.gov

Mailing Address:
100 N BORDON ST
LORENA, TX 76655-3449

This Agency filed a full report

LORENA POLICE DEPARTMENT has adopted a detailed written policy on racial profiling. Our policy:

- 1) clearly defines acts constituting racial profiling;
- 2) strictly prohibits peace officers employed by the LORENA POLICE DEPARTMENT from engaging in racial profiling;
- 3) implements a process by which an individual may file a complaint with the LORENA POLICE DEPARTMENT if the individual believes that a peace officer employed by the LORENA POLICE DEPARTMENT has engaged in racial profiling with respect to the individual;
- 4) provides public education relating to the agency's complaint process;
- 5) requires appropriate corrective action to be taken against a peace officer employed by the LORENA POLICE DEPARTMENT who, after an investigation, is shown to have engaged in racial profiling in violation of the LORENA POLICE DEPARTMENT policy;
- 6) requires collection of information relating to motor vehicle stops in which a warning or citation is issued and to arrests made as a result of those stops, including information relating to:
 - a. the race or ethnicity of the individual detained;
 - b. whether a search was conducted and, if so, whether the individual detained consented to the search;
 - c. whether the peace officer knew the race or ethnicity of the individual detained before detaining that individual;
 - d. whether the peace officer used physical force that resulted in bodily injury during the stop;
 - e. the location of the stop;
 - f. the reason for the stop.
- 7) requires the chief administrator of the agency, regardless of whether the administrator is elected, employed, or appointed, to submit an annual report of the information collected under Subdivision (6) to:
 - a. the Commission on Law Enforcement; and
 - b. the governing body of each county or municipality served by the agency, if the agency is an agency of a county, municipality, or other political subdivision of the state.

The LORENA POLICE DEPARTMENT has satisfied the statutory data audit requirements as prescribed in Article

2.133(c), Code of Criminal Procedure during the reporting period.

Executed by: JEFFREY S. HOLT
Chief of Police

Date: 02/15/2024

Total stops: 2113

Street address or approximate location of the stop

City street	502
US highway	1562
County road	7
State highway	14
Private property or other	28

Was race or ethnicity known prior to stop?

Yes	2
No	2111

Race / Ethnicity

Alaska Native / American Indian	5
Asian / Pacific Islander	120
Black	388
White	1017
Hispanic / Latino	583

Gender
Female 684

Alaska Native / American Indian	3
Asian / Pacific Islander	17
Black	141
White	371
Hispanic / Latino	152

Male 1429

Alaska Native / American Indian	2
Asian / Pacific Islander	103
Black	246
White	647
Hispanic / Latino	431

Reason for stop?
Violation of law 13

Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	9

Hispanic / Latino	3
Preexisting knowledge	12
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	4
White	3
Hispanic / Latino	5
Moving traffic violation	1726
Alaska Native / American Indian	5
Asian / Pacific Islander	104
Black	310
White	840
Hispanic / Latino	467
Vehicle traffic violation	362
Alaska Native / American Indian	0
Asian / Pacific Islander	16
Black	73
White	165
Hispanic / Latino	108
Was a search conducted?	
Yes	92
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	27
White	30
Hispanic / Latino	34
No	2021
Alaska Native / American Indian	5
Asian / Pacific Islander	119
Black	361
White	987
Hispanic / Latino	549
Reason for Search?	
Consent	2
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0

Hispanic / Latino	2				
Contraband	1				
Alaska Native / American Indian	0				
Asian / Pacific Islander	0				
Black	0				
White	1				
Hispanic / Latino	0				
Probable	65				
Alaska Native / American Indian	0				
Asian / Pacific Islander	0				
Black	25				
White	17				
Hispanic / Latino	23				
Inventory	3				
Alaska Native / American Indian	0				
Asian / Pacific Islander	0				
Black	0				
White	0				
Hispanic / Latino	3				
Incident to arrest	21				
Alaska Native / American Indian	0				
Asian / Pacific Islander	1				
Black	2				
White	12				
Hispanic / Latino	6				
Was Contraband discovered?					
Yes	72	Did the finding result in arrest?			
		(total should equal previous column)			
Alaska Native / American Indian	0	Yes	0	No	0
Asian / Pacific Islander	1	Yes	1	No	0
Black	23	Yes	7	No	16
White	23	Yes	8	No	15
Hispanic / Latino	25	Yes	7	No	18
No	20				
Alaska Native / American Indian	0				
Asian / Pacific Islander	0				
Black	4				
White	7				
Hispanic / Latino	9				

Description of contraband

Drugs	51
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	20
White	17
Hispanic / Latino	13
Weapons	6
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	2
White	1
Hispanic / Latino	3
Currency	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Alcohol	11
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	2
Hispanic / Latino	8
Stolen property	2
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	2
Hispanic / Latino	0
Other	4
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	2
Hispanic / Latino	1

Result of the stop

Verbal warning	30
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Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	5
White	16
Hispanic / Latino	8
Written warning	632
Alaska Native / American Indian	0
Asian / Pacific Islander	27
Black	109
White	347
Hispanic / Latino	149
Citation	1420
Alaska Native / American Indian	5
Asian / Pacific Islander	92
Black	264
White	640
Hispanic / Latino	419
Written warning and arrest	13
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	5
White	5
Hispanic / Latino	3
Citation and arrest	17
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	5
White	9
Hispanic / Latino	3
Arrest	1
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	1
Arrest based on	
Violation of Penal Code	26
Alaska Native / American Indian	0
Asian / Pacific Islander	0

Black	9
White	12
Hispanic / Latino	5
Violation of Traffic Law	1
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	1
Violation of City Ordinance	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Outstanding Warrant	4
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	2
Hispanic / Latino	1

Was physical force resulting in bodily injury used during stop?

Yes	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Resulting in Bodily Injury To:	
Suspect	0
Officer	0
Both	0
No	2113
Alaska Native / American Indian	5
Asian / Pacific Islander	120
Black	388
White	1017
Hispanic / Latino	583

Number of complaints of racial profiling

Total	0
Resulted in disciplinary action	0
Did not result in disciplinary action	0

Comparative Analysis

- Use TCOLE's auto generated analysis ☐
- Use Department's submitted analysis ☒

Optional Narrative

N/A

Submitted electronically to the



The Texas Commission on Law Enforcement

ATTACHMENT II

2023 AUDIT OF RACIAL PROFILING

ATTACHMENT II
2023 AUDIT OF RACIAL PROFILING

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
Month of January, 2023							
6/27/2023	1/29/2023	11:44	BECKNAULD	9 86496	W	W	
6/27/2023	1/28/2023	8:49	BECKNAULD	9 86483	H	H	
6/28/2023	1/15/2023	17:16	BECKNAULD	9 86459	A	A	
6/28/2023	1/10/2023	15:30	SERRATO	9 84602		W	NO RECORD
6/28/2023	1/10/2023	12:33	SERRATO	9 84601		W	NO RECORD
6/28/2023			SERRATO				NO EVENT
6/28/2023	1/26/2023	15:47	DISNEY	9 80684	H	H	
6/28/2023	1/22/2023	8:28	DISNEY	9 80672	W	W	
6/28/2023	1/2/2023	12:18	DISNEY	9 80648	H	H	
6/28/2023	1/31/2023	17:59	RIVAS	9 81825	W	W	
6/28/2023			RIVAS				NO EVENT
6/28/2023			RIVAS				NO EVENT
6/28/2023	1/15/2023	4:22	BOARD	9 79322	H	H	
6/28/2023	1/27/2023	18:57	BOARD	9 86479	H	H	
6/28/2023	1/5/2023	22:56	BOARD	9 79309	H	H	
6/28/2023	1/12/2023	22:53	GREER	9 85631	H	H	
6/28/2023	1/25/2023	21:13	GREER	9 85656	B	B	
6/28/2023	1/6/2023	22:35	GREER	9 85616	W	W	
6/28/2023			HOLT				NO EVENT
6/28/2023			HOLT				NO EVENT
6/28/2023			HOLT				NO EVENT

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
Month of February, 2023							
6/28/2023			SERRATO				NO EVENT
6/28/2023			SERRATO				NO EVENT
6/28/2023			SERRATO				NO EVENT
6/28/2023	2/23/2023	16:15	DISNEY	9 78425	W	W	
6/28/2023	2/13/2023	12:16	DISNEY	9 78415	H	H	
6/28/2023	2/3/2023	15:33	DISNEY	9 80688	H	H	
6/28/2023	2/26/2023	15:31	BECKNAULD	9 86579	W	W	
6/28/2023	2/25/2023	12:48	BECKNAULD	9 86566	B	B	
6/28/2023	2/12/2023	11:30	BECKNAULD	9 86528	W	W	
6/28/2023			RIVAS				NO EVENT
6/28/2023			RIVAS				NO EVENT
6/28/2023			RIVAS				NO EVENT
6/28/2023	2/26/2023	23:30	BOARD	9 79374		H	NO RECORD
6/28/2023	2/26/2023	0:37	BOARD	9 79363	H	H	
6/28/2023	2/11/2023	18:07	BOARD	9 79331	W	W	
6/28/2023	2/18/2023	20:51	GREER	9 88022	W	W	
6/28/2023	2/15/2023	0:12	GREER	9 88018	W	H	SURNAME = Garza
6/28/2023	2/10/2023	18:38	GREER	9 88007	W	W	
6/28/2023			HOLT				NO EVENT
6/28/2023			HOLT				NO EVENT
6/28/2023			HOLT				NO EVENT

<u>Audit</u>	<u>Stop</u>	<u>Time of</u>	<u>Race</u>	<u>Race</u>
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6/29/2023			SERRATO				NO EVENT
6/29/2023	5/16/2023	12:41	DISNEY	9 89006	W	W	
6/29/2023	5/31/2023	8:26	DISNEY	9 89007	W	W	
6/29/2023	5/4/2023	10:07	DISNEY	9 89005	W	W	
6/29/2023	5/30/2023	11:26	BECKNAULD	9 90162	W	W	
6/29/2023	5/29/2023	15:42	BECKNAULD	9 90154	W	W	
6/29/2023	5/20/2023	8:09	BECKNAULD	9 90122	W	W	
6/29/2023	5/2/2023	17:28	RIVAS	9 81834	W	W	
6/29/2023	5/2/2023	17:21	RIVAS	9 81833	W	W	
6/29/2023			RIVAS				NO EVENT
6/29/2023	5/15/2023	19:06	BOARD	9 79390		W	NO RECORD
6/29/2023	5/30/2023	16:50	BOARD	9 79400	H	H	
6/29/2023	5/15/2023	23:14	BOARD	9 79391	H	W	
6/29/2023	5/28/2023	23:24	GREER	9 88166	W	W	
6/29/2023	5/23/2023	22:29	GREER	9 88158	W	W	
6/29/2023	5/14/2023	22:06	GREER	9 88143	H	H	
6/29/2023			HOLT				NO EVENT
6/29/2023			HOLT				NO EVENT
6/29/2023			HOLT				NO EVENT

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
			Month of June, 2023				
6/29/2023			SERRATO				NO EVENT
6/29/2023			SERRATO				NO EVENT
6/29/2023			SERRATO				NO EVENT

6/29/2023	6/15/2023	8:30	DISNEY	9 89011		W	NO RECORD
6/29/2023	6/14/2023	10:45	DISNEY	9 89010		W	NO RECORD
6/29/2023	6/9/2023	10:33	DISNEY	9 89009	W	W	
6/29/2023	6/27/2023	7:51	BECKNAULD	9 90433	W	W	
6/29/2023	6/13/2023	9:43	BECKNAULD	9 90413	W	W	
6/29/2023	6/3/2023	14:45	BECKNAULD	9 91089	W	W	
6/29/2023	6/17/2023	16:37	RIVAS	9 81840		W	NO RECORD
6/29/2023	6/11/2023	0:23	RIVAS	9 81836	B	B	
6/29/2023	6/2/2023	22:56	RIVAS	9 81835	W	W	
6/29/2023	6/2/2023	21:29	BOARD	9 88801	H	H	
6/29/2023	6/18/2023	23:54	BOARD	9 88827	B	B	
6/29/2023	6/17/2023	20:29	BOARD	9 88822	B	B	
6/29/2023	6/26/2023	0:37	GREER	9 91003	B	B	
6/29/2023	6/19/2023	20:36	GREER	9 88198	W	W	
6/29/2023	6/14/2023	21:55	GREER	9 88190	B	B	
6/29/2023	6/25/2023	15:12	DEPPEN	9 89018	H	H	
6/29/2023	6/25/2023	14:49	DEPPEN	9 89017		W	NO RECORD
6/29/2023	6/24/2023	11:58	DEPPEN	9 89015	W	W	
6/29/2023			HOLT				NO EVENT
6/29/2023			HOLT				NO EVENT
6/29/2023			HOLT				NO EVENT

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
			Month of July, 2023				
7/10/2023			SERRATO				NO EVENT
7/10/2023			SERRATO				NO EVENT

7/10/2023			SERRATO				NO EVENT	
7/10/2023	7/17/2023	14:32	DISNEY	9 89026	I	A	27 SHOWS A/PI	
7/10/2023	7/17/2023	12:05	DISNEY	9 89024	W	W		
7/10/2023	7/7/2023	6:50	DISNEY	9 89021	H	H		
7/10/2023	7/28/2023	16:17	BECKNAULD	9 90452	H	H		
7/10/2023	7/11/2023	12:55	BECKNAULD	9 90446	H	H		
7/10/2023	7/11/2023	6:31	BECKNAULD	9 90443	W	W		
7/10/2023	7/31/2023	11:13	RIVAS	9 81849	HI/PI	HI/PI		
7/10/2023	7/5/2023	0:10	RIVAS	9 81846	W	W		
7/10/2023	7/2/2023	21:29	RIVAS	9 81844	W	W		
7/10/2023	7/28/2023	18:50	BOARD	9 88838	H	H		
7/10/2023	7/17/2023	0:07	BOARD	9 88836	A	A		
7/10/2023	7/15/2023	22:21	BOARD	9 88834	W	W		
7/10/2023	7/31/2023	22:51	GREER	9 90639	H	H		
7/10/2023	7/18/2023	22:51	GREER	9 90619	H	H		
7/10/2023	7/8/2023	17:51	GREER	9 88200	W	W		
7/10/2023	7/30/2023	9:14	DEPPEN	9 91811		B	NO RECORD	
7/10/2023	7/15/2023	21:36	DEPPEN	9 91805	H	H		
7/10/2023	7/3/2023	8:01	DEPPEN	9 89019	W	W		
7/10/2023			HOLT				NO EVENT	
7/10/2023			HOLT				NO EVENT	
7/10/2023			HOLT				NO EVENT	

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
Month of August, 2023							

7/10/2023			SERRATO				NO EVENT
7/10/2023			SERRATO				NO EVENT
7/10/2023			SERRATO				NO EVENT
7/10/2023	8/29/2023	10:33	DISNEY	9 89036	W	W	
7/10/2023	8/19/2023	10:49	DISNEY	9 89031	B	B	
7/10/2023	8/1/2023	9:36	DISNEY	9 89028		W	NO RECORD
7/10/2023	8/27/2023	17:04	BECKNAULD	9 90548	ME	ME	
7/10/2023	8/13/2023	11:55	BECKNAULD	9 90497	H	H	
7/10/2023	8/2/2023	12:58	BECKNAULD	9 90454	W	W	
7/10/2023	8/14/2023	8:32	RIVAS	9 81850	W	W	
7/10/2023			RIVAS				NO EVENT
7/10/2023			RIVAS				NO EVENT
1/5/2024	8/26/2023	18:49	BOARD	9 88844		H	NO RECORD
1/5/2024	8/25/2023	20:08	BOARD	9 88842	A	A	
1/5/2024	8/26/2023	18:16	BOARD	9 88843	B	B	
1/5/2024	8/29/2023	22:01	GREER	9 90689	W	W	
1/5/2024	8/25/2023	1:30	GREER	9 90680	B	B	
1/5/2024	8/15/2023	17:59	GREER	9 90667	H	H	
1/5/2024	8/15/2023	13:01	DEPPEN	9 92602	H	H	
1/5/2024	8/16/2023	14:49	DEPPEN	9 92808	H	H	
1/5/2024	8/15/2023	15:49	DEPPEN	9 92606	W	W	
1/5/2024			HOLT				NO EVENT
1/5/2024			HOLT				NO EVENT
1/5/2024			HOLT				NO EVENT

Audit

Stop

Time of

Race

Race

<u>Date</u>	<u>Date</u>	<u>Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Appearance</u>	<u>Recorded</u>	<u>Comments</u>
		Month of September, 2023					
1/5/2024			SERRATO				NO EVENT
1/5/2024			SERRATO				NO EVENT
1/5/2024			SERRATO				NO EVENT
1/5/2024	9/7/2023	12:44	DISNEY	9 89042	B	B	
1/5/2024	9/2/2023	8:51	DISNEY	9 89038		H	NO RECORD
1/5/2024	9/2/2023	15:43	DISNEY	9 89039	H	H	
1/5/2024	9/28/2023	7:35	BECKNAULD	9 90595		W	NO RECORD
1/5/2024	9/13/2023	14:52	BECKNAULD	9 90582	W	W	
1/5/2024	9/9/2023	13:57	BECKNAULD	9 90572	H	H	
1/5/2024			RIVAS				NO EVENT
1/5/2024			RIVAS				NO EVENT
1/5/2024			RIVAS				NO EVENT
1/5/2024	9/30/2023	17:57	BOARD	9 88864	H	H	
1/5/2024	9/23/2023	20:22	BOARD	9 88859		W	NO RECORD
1/5/2024	9/5/2023	20:47	BOARD	9 88849		W	NO RECORD
1/5/2024	9/17/2023	23:58	GREER	9 90737	H	H	
1/5/2024	9/30/2023	22:36	GREER	9 90744		W	NO RECORD
1/5/2024	9/16/2023	23:26	GREER	9 90731	ME	ME	
1/5/2024	9/28/2023	17:55	DEPPEN	9 92851	H	H	
1/5/2024	9/17/2023	22:30	DEPPEN	9 92842	B	B	
1/5/2024	9/1/2023	14:39	DEPPEN	9 92613	W	W	
1/5/2024			HOLT				NO EVENT
1/5/2024			HOLT				NO EVENT
1/5/2024			HOLT				NO EVENT

1/5/2024	BULL	NO EVENT
1/5/2024	BULL	NO EVENT
1/5/2024	BULL	NO EVENT
1/5/2024	PERRY	NO EVENT
1/5/2024	PERRY	NO EVENT
1/5/2024	PERRY	NO EVENT

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
Month of October, 2023							
1/6/2023			SERRATO				NO EVENT
1/6/2023			SERRATO				NO EVENT
1/6/2023			SERRATO				NO EVENT
1/6/2023			DISNEY				NO EVENT
1/6/2023			DISNEY				NO EVENT
1/6/2023			DISNEY				NO EVENT
1/6/2023	10/31/2023	15:10	BECKNAULD	9 93115	W	W	
1/6/2023	10/25/2023	11:50	BECKNAULD	9 93107	W	W	
1/6/2023	10/12/2023	15:50	BECKNAULD	9 93071	W	W	
1/6/2023	10/16/2023	15:44	RIVAS	9 81851	W	W	
1/6/2023			RIVAS				NO EVENT
1/6/2023			RIVAS				NO EVENT
1/6/2023	10/29/2023	9:53	BOARD	9 93410	B	B	
1/6/2023	10/4/2023	11:11	BOARD	9 88865	W	W	
1/6/2023	10/15/2023	14:14	BOARD	9 93405	W	W	
1/6/2023	10/29/2023	22:38	GREER	9 90794	B	B	
1/6/2023	10/18/2023	19:24	GREER	9 90785	H	H	

1/6/2023	10/6/2023	0:41	GREER	9 90764	HISPANIC	A	
1/6/2023	10/31/2023	23:11	DEPPEN	9 92023	W	W	
1/6/2023	10/22/2023	0:10	DEPPEN	9 92015	B	B	
1/6/2023	10/2/2023	22:55	DEPPEN	9 92002		H	UNABLE TO SEE DRIVER
1/6/2023			HOLT				NO EVENT
1/6/2023			HOLT				NO EVENT
1/6/2023			HOLT				NO EVENT
1/6/2023			BULL				NO EVENT
1/6/2023			BULL				NO EVENT
1/6/2023			BULL				NO EVENT
1/6/2023			PERRY				NO EVENT
1/6/2023			PERRY				NO EVENT
1/6/2023			PERRY				NO EVENT

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
Month of November, 2023							
1/6/2023			SERRATO				NO EVENT
1/6/2023			SERRATO				NO EVENT
1/6/2023			SERRATO				NO EVENT
1/6/2023	11/15/2023	12:37	DISNEY	9 93419	B	B	
1/6/2023	11/14/2023	11:40	DISNEY	9 93416	H	H	
1/6/2023	11/11/2023	17:38	DISNEY	9 93412		B	NO RECORD
1/6/2023	11/28/2023	13:45	BECKNAULD	9 93198	W	W	
1/6/2023	11/27/2023	8:06	BECKNAULD	9 93188	W	H	
1/6/2023	11/22/2023	12:29	BECKNAULD	9 93178	W	W	

1/6/2023			RIVAS				NO EVENT
1/6/2023			RIVAS				NO EVENT
1/6/2023			RIVAS				NO EVENT
1/6/2023	11/26/2023	16:13	BOARD	9 93431	H	H	
1/6/2023	11/24/2023	17:25	BOARD	9 93425	B	B	
1/6/2023	11/20/2023	6:20	BOARD	9 93420	B	B	
1/6/2023	11/30/2023	20:14	GREER	9 95418	A/ ME	A/ ME	
1/6/2023	11/29/2023	22:46	GREER	9 95411	A/ ME	A/ ME	
1/6/2023	11/21/2023	22:44	GREER	9 93828	H	H	
1/6/2023	11/28/2023	17:58	DEPPEN	9 92038	W	W	
1/6/2023	11/18/2023	17:23	DEPPEN	9 92029	B	B	
1/6/2023	11/13/2023	19:27	DEPPEN	9 92024	W	W	
1/6/2023			HOLT				NO EVENT
1/6/2023			HOLT				NO EVENT
1/6/2023			HOLT				NO EVENT
1/6/2023			BULL				NO EVENT
1/6/2023			BULL				NO EVENT
1/6/2023			BULL				NO EVENT
1/6/2023			PERRY				NO EVENT
1/6/2023			PERRY				NO EVENT
1/6/2023			PERRY				NO EVENT

<u>Audit Date</u>	<u>Stop Date</u>	<u>Time of Stop</u>	<u>Officer</u>	<u>Citation</u>	<u>Race Appearance</u>	<u>Race Recorded</u>	<u>Comments</u>
Month of December, 2023							
1/6/2023			SERRATO				NO EVENT
1/6/2023			SERRATO				NO EVENT

1/6/2023			SERRATO				NO EVENT
1/6/2023	12/3/2023	11:00	DISNEY	9 95100	W	W	
1/6/2023	12/3/2023	10:58	DISNEY	9 95081	W	W	
1/6/2023			DISNEY	9 95046			NO EVENT
1/6/2023	12/31/2023	16:40	BECKNAULD	9 95100	W	W	
1/6/2023	12/30/2023	15:59	BECKNAULD	9 95081	H	H	
1/6/2023	12/20/2023	16:10	BECKNAULD	9 95046	W	W	
1/6/2023	12/12/2023	8:54	RIVAS	9 94402		W	NO RECORD
1/6/2023	12/6/2023	16:35	RIVAS	9 94401		W	NO RECORD
1/6/2023			RIVAS				NO EVENT
1/6/2023	12/26/2023	14:52	BOARD	9 95841	HI/ PI	HI/PI	
1/6/2023	12/22/2023	17:22	BOARD	9 95828	W	W	
1/6/2023	12/18/2023	14:05	BOARD	9 95817	W	W	
1/6/2023	12/29/2023	2:29	GREER	9 95465	H	H	
1/6/2023	12/26/2023	22:42	GREER	9 95454	W	W	
1/6/2023	12/22/2023	22:32	GREER	9 95446	W	W	
1/6/2023	12/12/2023	20:27	DEPPEN	9 92059	W	W	
1/6/2023	12/2/2023	17:37	DEPPEN	9 92048	W	W	
1/6/2023	12/1/2023	19:39	DEPPEN	9 92043	W	W	
1/6/2023	12/31/2023	21:40	HOLT			B	NO RECORD
1/6/2023	12/22/2023	19:03	HOLT			W	NO RECORD
1/6/2023	12/18/2023	14:35	HOLT			W	NO RECORD
1/6/2023	12/31/2023	23:35	BULL	9 93618	A	A	
1/6/2023	12/30/2023	18:37	BULL	9 93607	H	H	
1/6/2023	12/30/2023	18:22	BULL	9 93606	W	W	

1/6/2023	12/30/2023	0:43	PERRY	9 96023	W	W
1/6/2023	12/23/2023	23:09	PERRY	9 96017	B	B
1/6/2023	12/16/2023	18:07	PERRY	9 96008	W	W

LORENA POLICE DEPARTMENT



COUNCIL REPORT
JANUARY 2024

CALLS FOR SERVICE BY TYPE

DESCRIPTION:	# OF CALLS
BURGLAR ALARM	5
911 HANG UP	1
ABANDONED VEHICLE	2
ACCIDENT	11
ASSIST CITIZEN	1
ASSIST MOTORIST	15
ASSIST OTHER AGENCIES	17
ASSIST OTHER AGENCIES-K9	10
BURGLARY	1
CIVIL MATTER	1
CREDIT/DEBIT CARD ABUSE	1
EMS	19
FIRE	3
FIRE ALARM	1
FOLLOW UP	18
FOOT PATROL	16
LIFELINE	1
LIFTING ASSISTANCE	3
ODOR	1
OPEN WINDOW	1
PANIC ALARM	1
RECKLESS DRIVING	1
SEXUAL ASSAULT	1
SMOKE	1
SMOKE ALARM	1
SUSPICIOUS CIRCUMSTANCES	6
SUSPICIOUS PERSON	4
SUSPICIOUS VEHICLE	4
THEFT	1
TRAFFIC COMPLAINTS	4
TRAFFIC HAZARD	4
VCO - DOG	1
VCO-SOLICITATION	1
WARRANT SERVICE	2
WELFARE CONCERN	7
TOTAL	167



CALLS FOR SERVICE — DETAILED

January 3, 2024 – Suspicious vehicle parked in front of caller's house. Found to be parties in a religious group.

January 6, 2024 – Call of solicitors in the area of Thompson Circle. Subjects were cited for violation of city ordinance – soliciting.

January 6, 2024 – Welfare Concern. A delivery driver had a blow out on Bordon St and was reported to be distraught. Driver was contacted and stated they were waiting on a tow truck to arrive to assist them.

January 8, 2024 – Disturbance call between family members. Disturbance was settled by one family member leaving the residence.

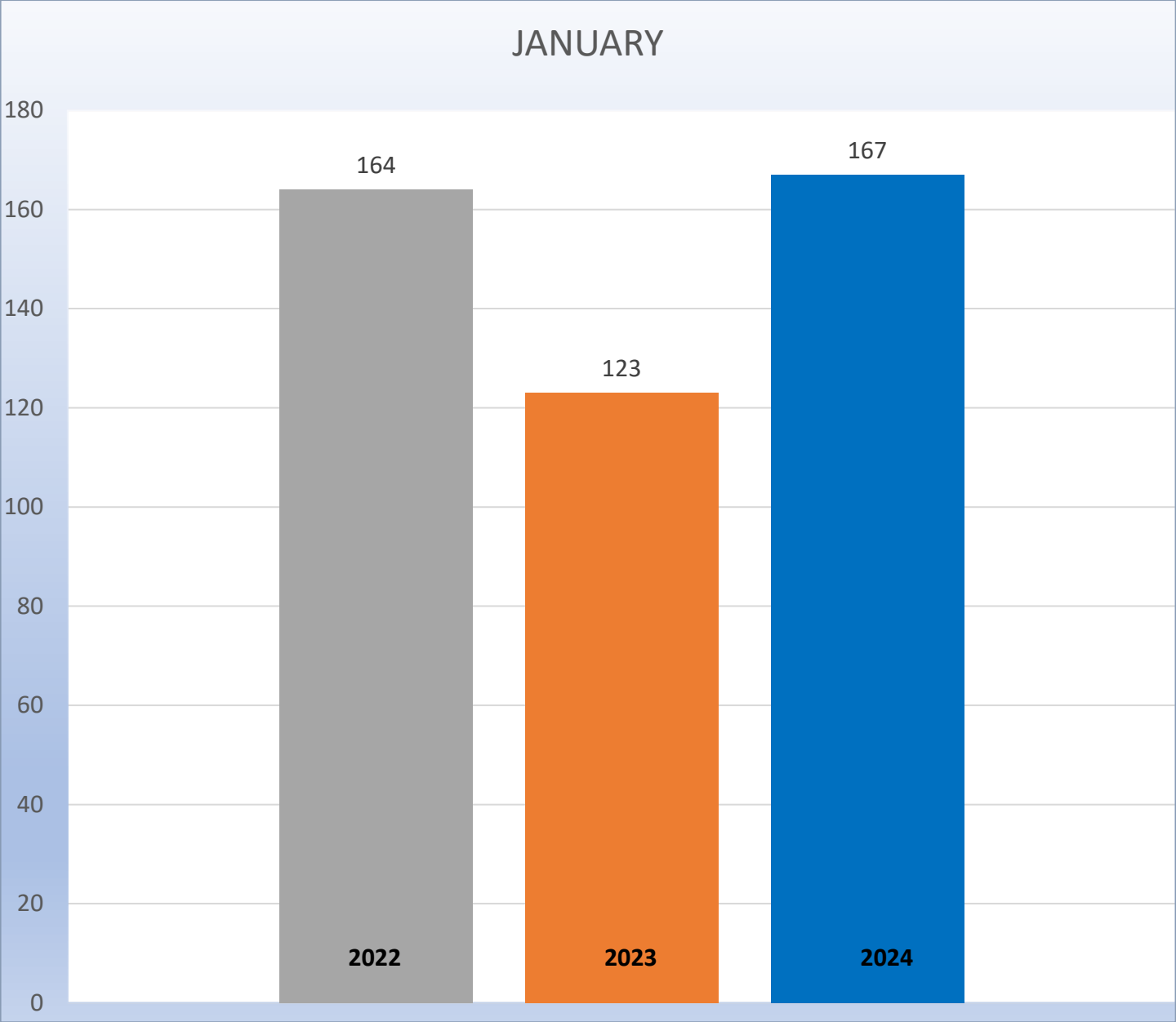
January 10, 2024 – Employee at a local business found an individual in a dumpster searching for food. The individual declined any assistance offered.

January 13, 2024 – Caller reported someone rang their doorbell and left. Caller further reported it was possibly done by children. Officers searched the area and were unable to locate anyone.

January 23, 2024 – Out of town caller reported being unable to contact his elderly mother. The mother was contacted at her residence, and she called her son.

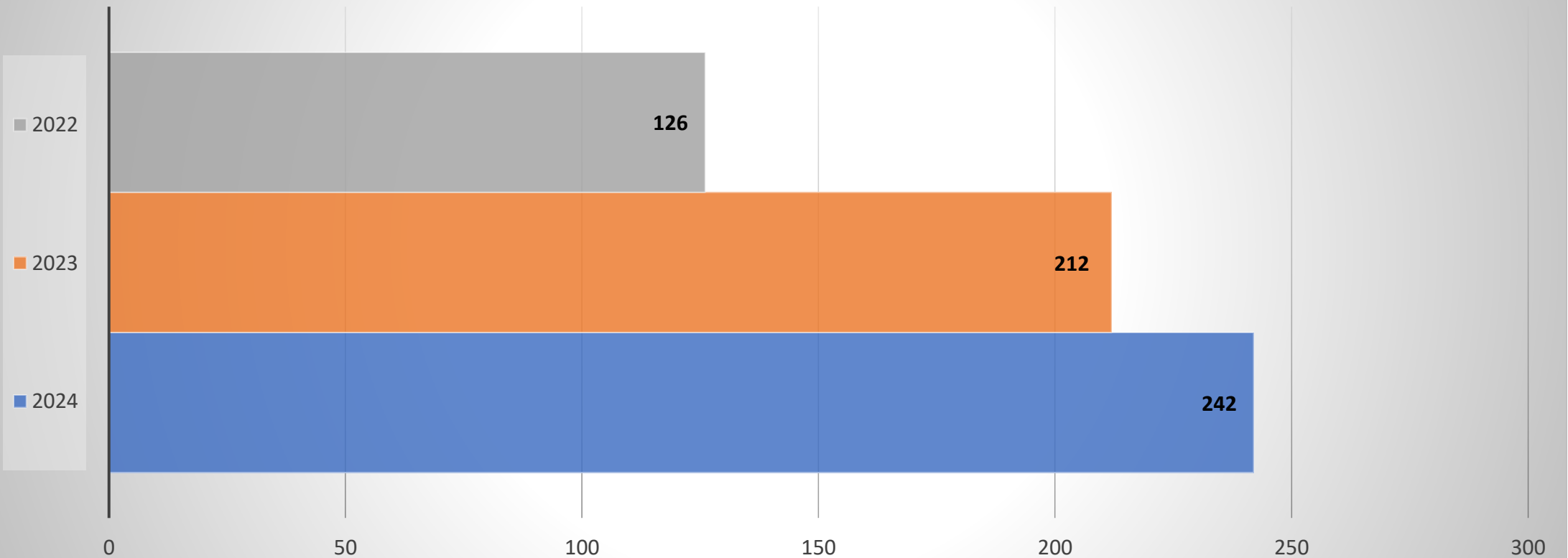
January 23, 2024 – Officer Bull stopped out on a suspicious vehicle in the parking lot of Journey Lorena Church. As Officer Bull approached the vehicle on foot, the driver left the scene before contact was made. Officer Bull searched the area for the vehicle but was unable to locate it.

CALLS FOR SERVICE - GRAPH



TRAFFIC STOPS BY LORENA POLICE

JANUARY



K-9 DEPLOYMENTS/SEIZURES

TOTAL DEPLOYMENTS - 18

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graph TD; A[TOTAL DEPLOYMENTS - 18] --> B[DEPLOYMENT FOR NEIGHBORING AGENCIES - 10  
LORENA UNIT DEPLOYMENTS (GREER, PERRY) - 8]; B --> C[SEIZURES OF DRUGS/DRUG PARAPHERNALIA - 20]; C --> D[MARIJUANA - 6, METHAMPHETAMINE - 4,]; D --> E[THC OIL - 2, LIQUID COCAINE - 2, DRUG PARAPHERNALIA - 6];
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DEPLOYMENT FOR NEIGHBORING AGENCIES - 10
LORENA UNIT DEPLOYMENTS (GREER, PERRY) - 8

SEIZURES OF DRUGS/DRUG PARAPHERNALIA - 20

MARIJUANA - 6, METHAMPHETAMINE - 4,

THC OIL - 2, LIQUID COCAINE - 2, DRUG PARAPHERNALIA - 6

ARRESTS

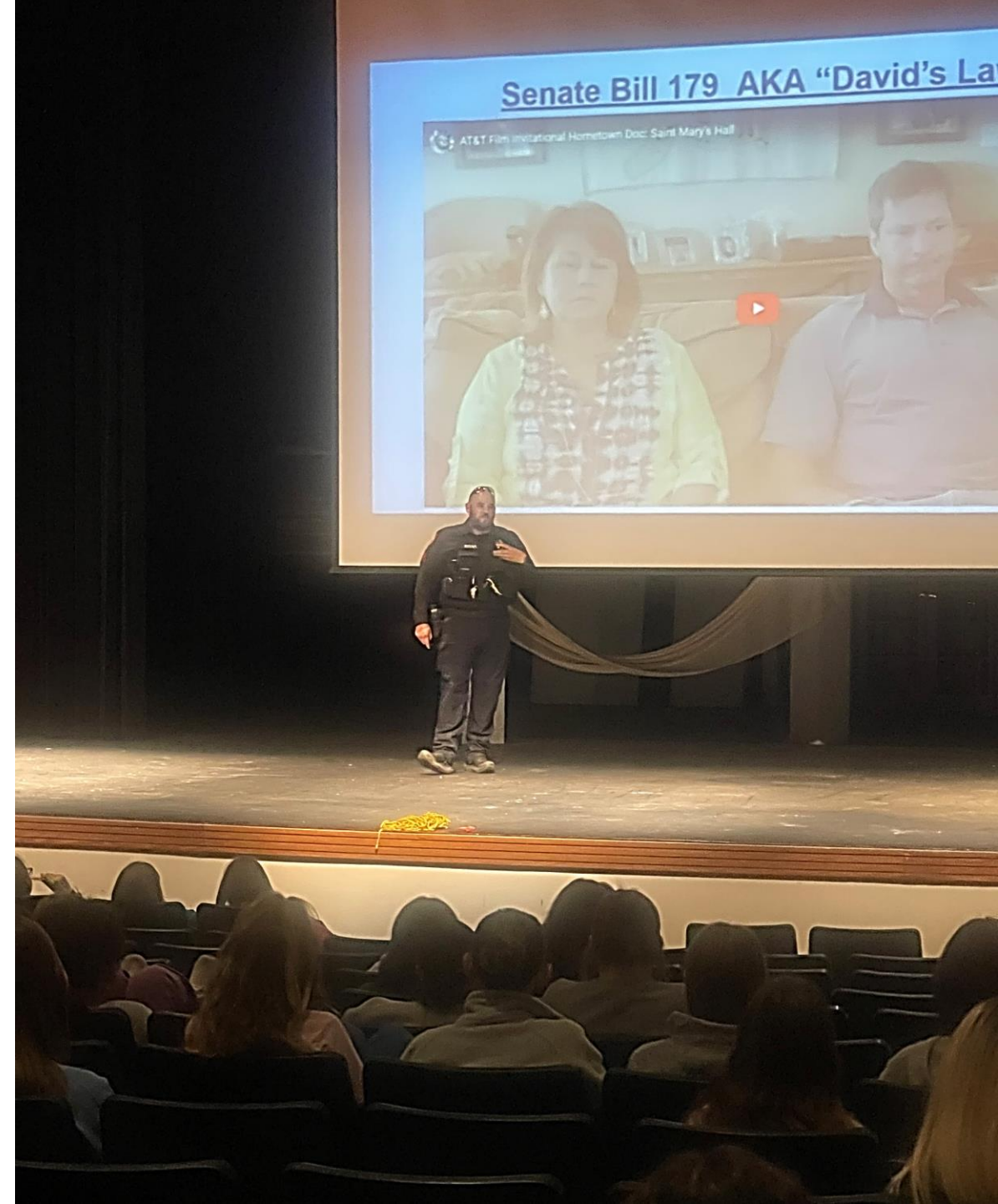
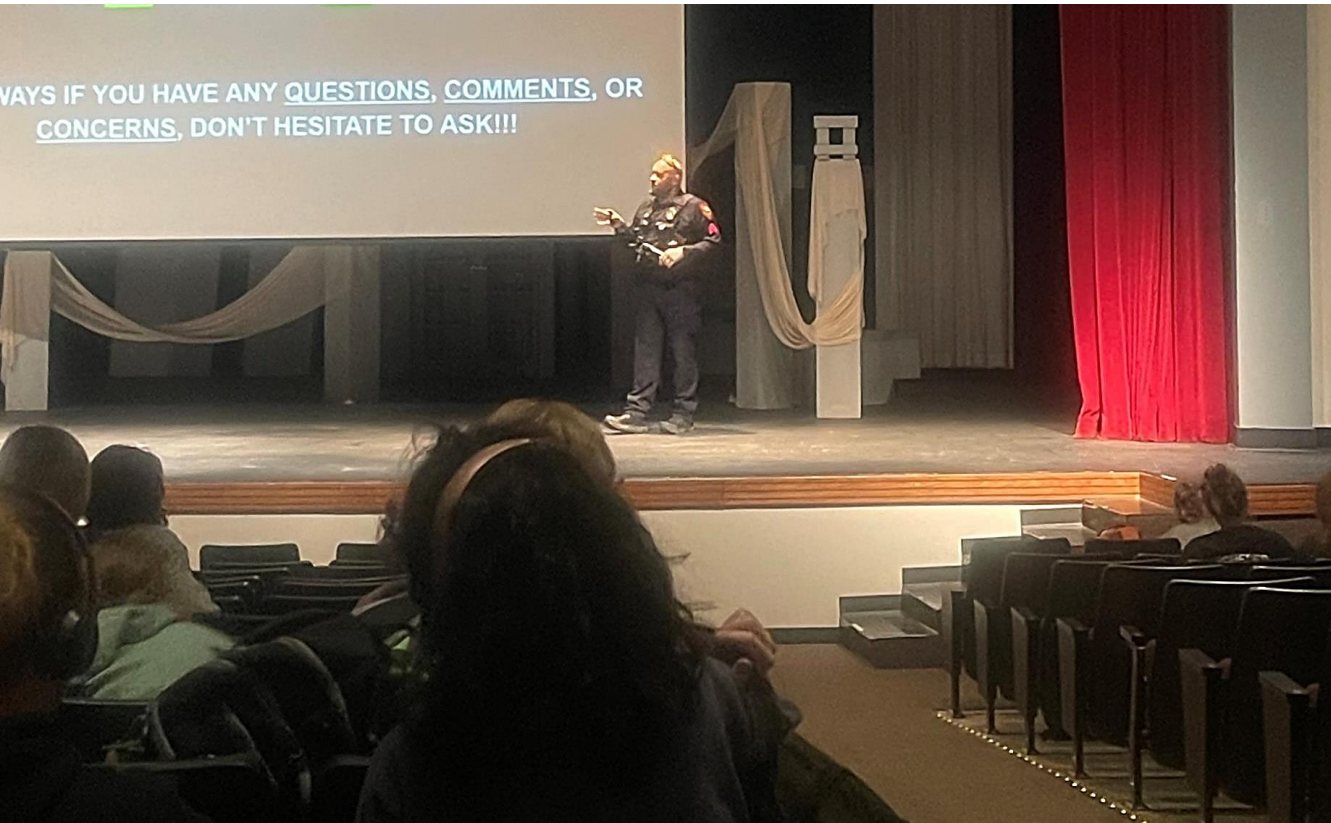
- ❖ January 7, 2024 - Officer Perry noticed a vehicle traveling at 122 mph on southbound on the Interstate. The vehicle was stopped, and the driver was later arrested for Driving While Intoxicated and Reckless Driving.
- ❖ January 13, 2024 - Officer Greer had information on a wanted person that was being sought by Waco PD for Endangering a Child and Deadly Conduct. Greer checked by the address and was able to locate the wanted person; he was arrested.
- ❖ January 19, 2024 - Officer Greer conducted a traffic stop on a vehicle for expired registration. The stop led to an arrest of the passenger on two charges for drug possession after K-9 Drogen gave a positive alert.
- ❖ January 20, 2024 - Officer Greer conducted a traffic stop for speeding and fake temporary tag. The driver was later arrested for Tampering with Governmental Record for the fake tag.
- ❖ January 21, 2024 - Officer Greer conducted a traffic stop on a vehicle for no license plate light and displaying a fictitious temporary tag. The driver was arrested for Tampering with Governmental Record for the fake tag.
- ❖ January 25, 2024 - Officer Greer conducted a traffic stop on a vehicle for speeding. During the stop, the driver informed Greer that he had handguns in the vehicle. The driver was checked and found to be a convicted felon. He was arrested for possessing the weapons.
- ❖ January 27, 2024 - Officer Perry checked a temporary tag on a vehicle traveling on the Interstate and found that it did not show registered in the state database. The vehicle was stopped, and the driver admitted to purchasing the tag on Facebook. The driver was arrested for Tampering with Governmental Record for the fake tag.
- ❖ January 30, 2024 - Officer Greer stopped a box van after noticing that it was not displaying a license plate on the vehicle. During the stop, he noticed the odor of marijuana. He deployed K-9 Drogen and Drogen gave a positive alert. The stop led to the driver being arrested for drugs and a passenger for an outside warrant on a Bond Forfeiture.
- ❖ **TOTAL ARRESTS- 11**

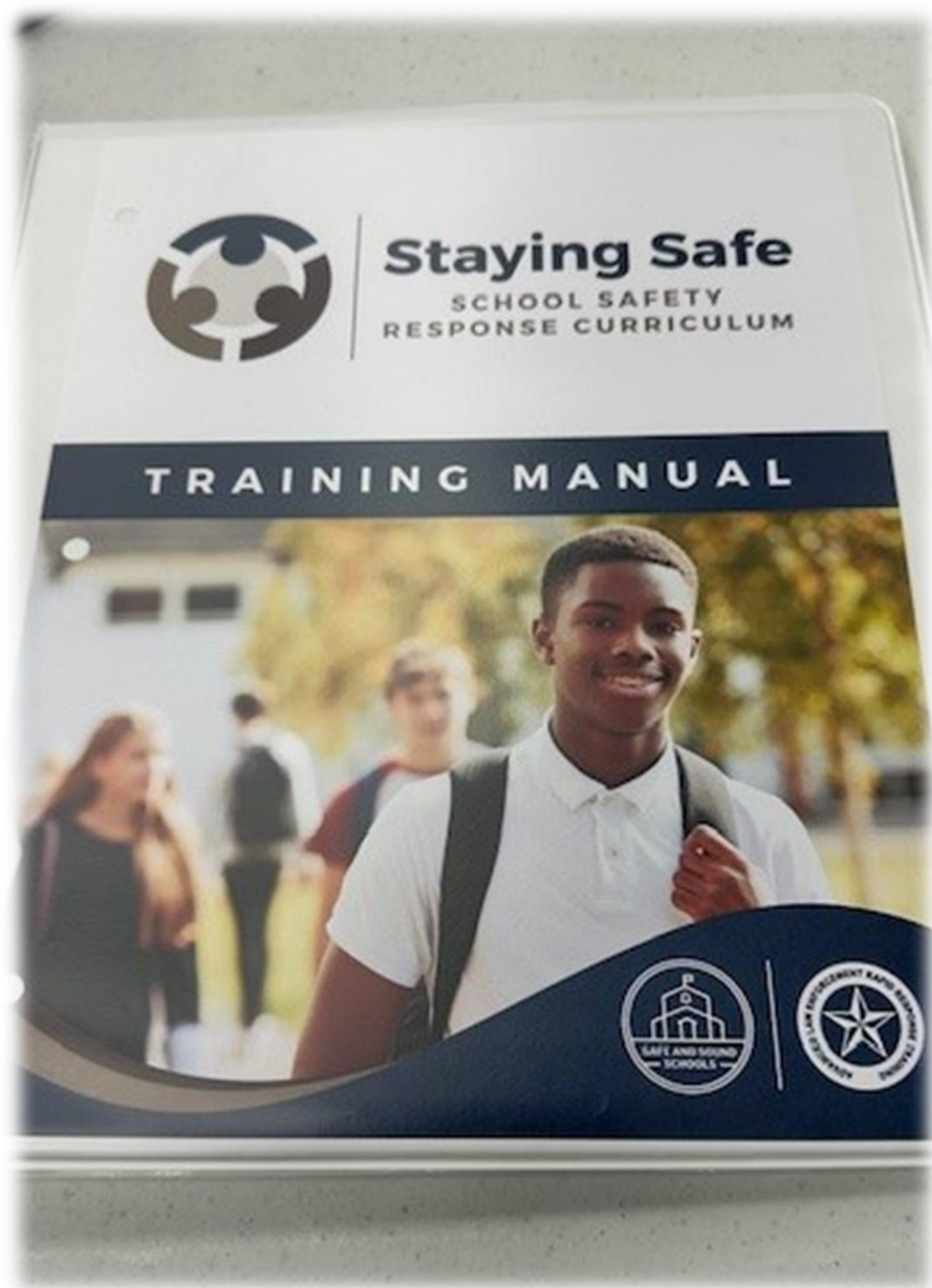
INVESTIGATIONS

- January 7, 2024 – Officer Board was called to Autumn Villa Apartments on the report of 6 vehicles broken into in the parking lot overnight. Various random items were taken, and it was reported most of the vehicles had been left unsecured the previous night.
- January 14 – Sgt Disney was called to a report of a crash on the Interstate. It was reported that a tractor trailer had struck the victim's vehicle and briefly pinned him against the inside barrier wall and then left the scene. No injuries reported and the case is currently carried as inactive until further information on the suspect vehicle arises.
- January 17, 2024 – Death Investigation. Officers responded to a report of a vehicle that had fallen on an individual and he was not breathing. First responders (police officers, fire department personnel, and paramedics) attempted to resuscitate the individual, with no success. The case is under investigation and awaiting the final autopsy report.
- January 26, 2024 – Officer Becknauld responded to a report of a theft. The victim had placed an order online and the order showed delivered to a different address. Case is pending further investigation.
- January 30, 2024 - Officer Board was called to Sonic after a vehicle had backed out and struck a driveway sign, causing damage, then left the area. Officer Board made contact with the manager and, from information provided, identified the driver and issued a citation for leaving the scene of an accident.

INVESTING IN THE LEADERS OF TOMORROW

- SRO Sergeant Rivas presenting to High School students on several topics, such as bullying, cyberbullying, drugs, and vaping.





SRO TRAINING

- SERGEANT RIVAS, HANNAH PERRY, CHRISTINA SERRATO, AND SAMI BULL ATTENDED A CONFERENCE IN HUNTSVILLE, TX. THIS CONFERENCE PROVIDED INFORMATION ON HOW TO IMPLEMENT THE DISCUSSION OF SCHOOL SAFETY TO STAFF AND STUDENTS.

K-9 TRAINING IN COLLEGE STATION



OFFICER GREER ATTENDED A COMPETITION STYLE TRAINING WITH SEVERAL AREA K-9 OFFICERS. THIS TRAINING CONSISTED OF TIMED EVENTS FOR TRACKING AND NARCOTICS RECOVERY.



- On January 14, 2024, Lorena PD Chief Holt, Sgt Rivas, and Officer Board, along with Lorena Athletics students and PALs (Peer Assistance & Leadership) assisted a local Lorena family by loading several pieces of furniture into a U-Haul trailer. The high temperature on this day was 27 degrees. With the assistance of the ISD students, this task was completed in 15 minutes.

COMMUNITY INVOLVEMENT