

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 21  
September 30, 2022

Note H: TMRS-Pension Plan (continued)

*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.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2022, the city recognized pension expense of \$(570,977).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 266,010
Changes in actuarial assumptions	\$ -	\$ 149
Difference between projected and actual investment earnings	\$ -	\$ 1,140,283
Contributions subsequent to the measure date December 31, 2021	\$ 134,294	\$ -
Total	\$ 134,294	\$ 1,406,442

\$134,294 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2022	\$ (401,262)
2023	(551,095)
2024	(240,704)
2025	(213,381)
2026	-
Thereafter	-
Total	\$ (1,406,442)

CITY OF LAMESA  
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22  
September 30, 2022

Note J: Contingent Liabilities

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be significant.

From time to time the City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

Note K: Closure and Post-closure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. In addition to operating expense related to current activities of the landfill, a related liability will be recognized in the Long-Term Debt Account based on the future closure and post-closure care costs that will be incurred near or after the date that the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$703,013 as of September 30, 2022, which is based on 44.85% usage (filled) of the landfill. It is estimated that an additional \$864,575 will be recognized as closure and post-closure care expenses between the October 1, 2022 and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and post-closure care (\$1,567,588) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were incurred as of September 30, 2022. However, the actual cost of closure and post-closure cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by Texas Commission on Environmental Quality to satisfy certain requirements of financial assurance for closure and post-closure cost by meeting certain financial tests. In the opinion of City Management, all financial assurance requirements have been met at September 30, 2022.

The total amount of landfill closure and post-closure care cost for the current period in the amount of \$68,237 (required by GASB 18) increased the amount of estimated liability for landfill closure and post-closure care cost as a Long-Term Liability. The City has restricted cash equivalents in the amount of \$703,013 to cover the landfill closure and post closure care liability at September 30, 2022.

*REQUIRED SUPPLEMENTARY INFORMATION*

CITY OF LAMESA  
Lamesa, Texas

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Taxes:				
Property Taxes (Including Penalty & Interest)	\$ 2,431,268	\$ 2,431,268	\$ 2,458,801	\$ 27,533
Sales Taxes	1,306,500	1,306,500	1,510,048	203,548
Franchise Taxes	521,500	521,500	398,376	(123,124)
Licenses and Permits	67,700	67,700	97,030	29,330
Charges for Services	81,250	81,250	109,156	27,906
Fines, Fees, and Forfeits	56,400	56,400	71,820	15,420
Investment Income	26,000	26,000	8,927	(17,073)
Intergovernmental	188,116	188,116	174,907	(13,209)
Rents	16,000	16,000	25,127	9,127
Community Event	76,000	76,000	68,212	(7,788)
Donations	-	-	20,000	20,000
Insurance Recovery	-	230,000	233,677	3,677
Miscellaneous	155,350	155,350	4,725	(150,625)
<u>Total Revenues</u>	<u>4,926,084</u>	<u>5,156,084</u>	<u>5,180,806</u>	<u>24,722</u>
<u>Expenditures</u>				
Current				
Administration	396,499	396,499	340,592	55,907
General Government	334,684	334,684	363,491	(28,807)
Housing Assistance	33,000	33,000	32,882	118
Fire	862,561	862,561	804,966	57,595
Streets	558,287	558,287	598,391	(40,104)
Vehicle Services	54,137	54,137	32,498	21,639
Police	2,349,678	2,349,678	2,301,455	48,223
Parks & Recreation	667,860	667,860	682,524	(14,664)
Principal on Long-Term Debt	211,345	211,345	211,353	(8)
Interest on Long-Term Debt	12,915	12,915	12,923	(8)
Capital Outlay	-	230,000	187,598	42,402
<u>Total Expenditures</u>	<u>5,480,966</u>	<u>5,710,966</u>	<u>5,568,673</u>	<u>142,293</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	70,135	70,135	201,227	131,092
Sale of Real and Personal Property	-	-	7,500	7,500
Proceeds from Long-Term Debt	-	108,599	108,599	-
<u>Total Other Financing Sources (Uses)</u>	<u>70,135</u>	<u>178,734</u>	<u>317,326</u>	<u>138,592</u>
<u>Excess of Revenues and Other Sources</u>				
<u>Over (Under) Expenditures and Other Uses</u>	(484,747)	(376,148)	(70,541)	305,607
Fund Balance, Beginning of Year	3,419,605	3,419,605	3,419,605	-
<u>Fund Balance, End of Year</u>	<u>\$ 2,934,858</u>	<u>\$ 3,043,457</u>	<u>\$ 3,349,064</u>	<u>\$ 305,607</u>

CITY OF LAMESA  
Lamesa, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year							
	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<b>Total Pension Liability</b>								
Service Cost	\$ 452,541	\$ 425,699	\$ 417,905	\$ 402,028	\$ 378,238	\$ 385,200	\$ 347,047	\$ 282,891
Interest (on the Total Pension Liability)	1,042,383	1,054,966	1,031,274	1,000,983	979,170	957,835	952,107	942,356
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(261,947)	(415,139)	(24,788)	20,450	(91,907)	(41,952)	(210,717)	(58,046)
Change of assumptions	-	-	(15,085)	-	-	-	378,081	-
Benefit payments, including refunds of employee contributions	(1,017,454)	(1,262,151)	(960,081)	(1,035,570)	(1,034,312)	(863,787)	(838,328)	(936,288)
Change in Proportionate Share	10,784	(2,287)	(1,348)	(5,220)	(339)	107	12,187	-
Net change in Total Pension Liability	228,307	(198,892)	447,879	382,571	230,850	437,403	640,377	230,913
Total Pension Liability - Beginning	15,950,127	16,159,019	15,711,140	15,328,469	15,097,619	14,660,216	14,019,839	13,789,926
Total Pension Liability - Ending (a)	\$ 16,188,434	\$ 15,960,127	\$ 16,159,019	\$ 15,711,140	\$ 15,328,469	\$ 15,097,619	\$ 14,660,216	\$ 14,019,839
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	176,750	250,412	241,618	233,737	220,642	223,767	230,866	206,611
Contributions - employee	268,649	170,280	153,599	157,272	129,241	115,147	123,611	111,570
Net investment income	2,219,522	1,271,092	2,313,286	(482,183)	2,034,774	965,856	21,871	845,908
Benefit payments, including refunds of employee contributions	(1,017,454)	(1,262,151)	(960,081)	(1,035,570)	(1,034,312)	(863,787)	(838,328)	(936,288)
Administrative expense	(10,300)	(8,247)	(13,105)	(9,335)	(10,558)	(10,921)	(13,323)	(8,334)
Other	68	(322)	(393)	(493)	(535)	(588)	(658)	(727)
Net Change In Plan Fiduciary Net Position	1,635,235	421,064	1,734,924	(1,136,572)	1,339,252	429,474	(475,961)	218,240
Plan Fiduciary Net Position - Beginning	17,321,529	16,900,465	15,165,541	16,302,113	14,962,861	14,533,387	15,009,348	14,791,108
Plan Fiduciary Net Position - Ending (b)	\$ 18,956,764	\$ 17,321,529	\$ 16,900,465	\$ 15,165,541	\$ 16,302,113	\$ 14,962,861	\$ 14,533,387	\$ 15,009,348
Net Pension Liability(Asset) - Ending (a) - (b)	\$ (2,770,330)	\$ (1,361,402)	\$ (741,446)	\$ 545,599	\$ (973,644)	\$ 134,758	\$ 126,829	\$ (989,509)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	117.12%	108.53%	104.59%	96.53%	106.35%	99.11%	99.13%	107.06%
<b>Covered Employee Payroll</b>	\$ 3,809,269	\$ 3,596,108	\$ 3,451,681	\$ 3,339,101	\$ 3,152,025	\$ 3,196,675	\$ 3,018,839	\$ 2,951,577
<b>Net Pension Liability(Asset) as a Percentage of Covered Payroll</b>	-72.73%	-37.86%	-21.48%	16.34%	-30.89%	4.22%	4.20%	-33.52%

The accompanying notes are an integral part of this statement

CITY OF LAMESA  
Lamesa, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION  
(unaudited)

	Fiscal Year September 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 179,882	\$ 172,488	\$ 165,273	\$ 160,475	\$ 151,708	\$ 126,561	\$ 115,527	\$ 108,392
Contributions in relation to the actuarially determined contribution	<u>179,882</u>	<u>172,488</u>	<u>165,273</u>	<u>160,475</u>	<u>151,708</u>	<u>126,561</u>	<u>131,856</u>	<u>108,392</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,329	\$ -
Covered employee payroll	\$ 4,249,994	\$ 2,951,577	\$ 3,173,266	\$ 3,117,705	\$ 3,408,655	\$ 3,552,511	\$ 3,525,362	\$ 3,695,186
Contributions as a percentage of covered employee payroll	4.23%	5.84%	5.21%	5.15%	4.45%	3.56%	3.74%	2.93%

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2022

Schedule of Pension Contributions – TMRS

**Valuation Date:**

Notes

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes

There were no benefit changes during the year.

*OTHER SUPPLEMENTARY INFORMATION*



CITY OF LAMESA  
Lamesa, Texas  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2022

	Special Revenue							Total Nonmajor Governmental Funds	
	Forfeited Property Fund	Hotel/Motel Occupancy Tax	State Agency Fund	Criminal Justice Fund	Community Development Block Grant	Other Restricted Funds	Grant Funds		Downtown Revitalization Grants
ASSETS									
Cash and Cash Equivalents	\$ 594	\$ 312,196	\$ 16,705	\$ 3,898	\$ -	\$ 63,626	\$ 431,949	\$ 32,793	\$ 861,761
Receivables, Net of Allowances	-	26,658	-	-	-	-	17,735	71,119	115,512
<b>TOTAL ASSETS</b>	<b>\$ 594</b>	<b>\$ 338,854</b>	<b>\$ 16,705</b>	<b>\$ 3,898</b>	<b>\$ -</b>	<b>\$ 63,626</b>	<b>\$ 449,684</b>	<b>\$ 103,912</b>	<b>\$ 977,273</b>
LIABILITIES									
Current Liabilities									
Accounts Payable	\$ -	\$ -	\$ 16,705	\$ -	\$ -	\$ -	\$ -	\$ 94,503	\$ 111,208
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>16,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,503</b>	<b>111,208</b>
FUND BALANCES:									
Restricted For:									
Grant Projects	-	-	-	-	-	-	449,684	9,409	459,093
Tourism	-	338,854	-	-	-	-	-	-	338,854
Enabling Legislation	594	-	-	3,898	-	63,626	-	-	69,118
<b>Total Fund Balances</b>	<b>594</b>	<b>338,854</b>	<b>-</b>	<b>3,898</b>	<b>-</b>	<b>63,626</b>	<b>449,684</b>	<b>9,409</b>	<b>866,065</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 594</b>	<b>\$ 338,854</b>	<b>\$ 16,705</b>	<b>\$ 3,898</b>	<b>\$ -</b>	<b>\$ 63,626</b>	<b>\$ 449,684</b>	<b>\$ 103,912</b>	<b>\$ 977,273</b>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2022

	Special Revenue							Total Nonmajor Governmental Funds	
	Forfeited Property Fund	Hotel/Motel Occupancy Tax	State Agency Fund	Criminal Justice Fund	Community Development Block Grant	Other Restricted Funds	Grant Funds		Downtown Revitalization Grants
<b>REVENUES:</b>									
Taxes:									
Motel Occupancy Taxes	-	135,844	-	-	-	-	-	-	135,844
Fines, Fees, and Forfeits	-	-	-	-	-	13,204	-	-	13,204
Investment Income	-	165	-	-	-	-	1,807	81	2,053
State Grants	-	-	-	-	-	-	67,098	-	67,098
Federal Grants	-	-	-	-	-	-	32,000	95,869	127,869
Donations	-	-	-	-	-	30	-	-	30
<b>Total Revenues</b>	-	<b>136,009</b>	-	-	-	<b>13,234</b>	<b>100,905</b>	<b>95,950</b>	<b>346,098</b>
<b>EXPENDITURES</b>									
Current									
General Government	-	-	-	-	-	-	7,295	-	7,295
Tourism	-	109,926	-	-	-	-	-	-	109,926
Fire	-	-	-	-	-	-	16,721	-	16,721
Streets	-	-	-	-	-	-	-	150,658	150,658
Police	-	-	-	-	-	112	-	-	112
Airport	-	-	-	-	-	-	81,363	-	81,363
<b>Total Expenditures</b>	-	<b>109,926</b>	-	-	-	<b>112</b>	<b>105,379</b>	<b>150,658</b>	<b>366,075</b>
Excess of Revenues Over (Under) Expenditures	-	26,083	-	-	-	13,122	(4,474)	(54,708)	(19,977)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In/(Out)									
<b>Total Other Sources (Uses)</b>	-	-	-	-	(2,821)	-	386	-	(2,435)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	-	26,083	-	-	(2,821)	13,122	(4,088)	(54,708)	(22,412)
Fund Balance--Beginning of Year	594	312,771	-	3,898	2,821	50,504	453,772	64,117	888,477
<b>Fund Balance--End of Year</b>	<b>\$ 594</b>	<b>\$ 338,854</b>	<b>\$ -</b>	<b>\$ 3,898</b>	<b>\$ -</b>	<b>\$ 63,626</b>	<b>\$ 449,684</b>	<b>\$ 9,409</b>	<b>\$ 866,065</b>

The accompanying notes are an integral part of this statement

CITY OF LAMESA  
Lamesa, Texas

HOUSING ASSISTANCE PROGRAM  
PHA CODE: TX535  
PHA NAME: LAMESA HOUSING AUTHORITY  
SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
BALANCE SHEET  
September 30, 2022

<u>Line Item</u>	<u>HAP Fund</u>
<b>ASSETS</b>	
<u>Current Assets:</u>	
111	Cash and Cash Equivalents \$ 67,206
110	<u>Total Cash 67,206</u>
150	<u>Total Current Assets \$ 67,206</u>
<u>Non-Current Assets:</u>	
Fixed Assets:	
164	Furniture, Equipment and Machinery 21,359
166	Accumulated Depreciation (21,359)
160	<u>Total Fixed Assets, Net -</u>
190	<u>TOTAL ASSETS \$ 67,206</u>
 <b>LIABILITIES</b>	
<u>Current Liabilities</u>	
333	Accounts Payable \$ 644
	<u>Total Liabilities 644</u>
 <b>NET POSITION</b>	
511.1	Restricted for Housing Assistance 66,562
	<u>Total Net Position \$ 66,562</u>
600	<u>Total Liabilities and Net Position \$ 67,206</u>

CITY OF LAMESA  
Lamesa, Texas

HOUSING ASSISTANCE PROGRAM  
PHA CODE: TX535  
PHA NAME: LAMESA HOUSING AUTHORITY  
SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
REVENUE AND EXPENSE  
September 30, 2022

<u>Line Item</u>		<u>HAP Fund</u>
	<u>Operating Revenues</u>	
706	HUD PHA Operating Grants	\$ 479,887
711	Investment Income	<u>154</u>
700	<u>Total Operating Revenues</u>	<u>\$ 480,041</u>
	<u>Operating Expenses</u>	
911	Administrative Salaries	\$ 28,525
916	Other General Expenses	2,327
912	Accounting and Audit Fees	<u>2,400</u>
969	<u>Total Operating Expenses</u>	<u>\$ 33,252</u>
970	<u>Excess (Deficiency) of Revenues Over (Under) Expenses</u>	<u>\$ 446,789</u>
	<u>Other Expenses</u>	
973	Housing Assistance Payments	\$ 438,004
900	<u>Total Other Expenses:</u>	<u>\$ 438,004</u>
	Revenue over Expenses	<u>\$ 8,785</u>

# Terry & King, CPAs, P.C.

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## Independent Auditors' Report

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council  
City of Lamesa  
Lamesa, Texas

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lamesa, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lamesa's basic financial statements, and have issued our report thereon dated May 11, 2023.

#### Internal Control Over Financial Reporting

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

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



Independent Auditors' Report  
Page 2

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

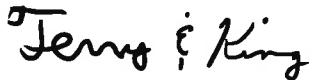
Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Terry & King, CPAs, P.C.  
Lubbock, Texas  
May 11, 2023

# Terry & King, CPAs, P.C.

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## Independent Auditors' Report

### REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and City Council  
City of Lamesa  
Lamesa, Texas

Members of the City Council:

#### ***Report on Compliance for Each Major Federal Program***

#### ***Opinion on Each Major Federal Program***

We have audited the City of Lamesa's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. City of Lamesa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Lamesa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Lamesa and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Lamesa's compliance with the compliance requirements referred to above.



Independent Auditors' Report  
Page 2

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Lamesa's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Lamesa's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of City of Lamesa's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Report on Internal Control over Compliance***

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



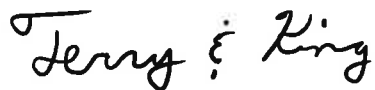
Independent Auditors' Report  
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
May 11, 2023

CITY OF LAMESA  
Lamesa, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2022

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified that  
 are not considered to be material  
 weaknesses?      Yes   X   None Reported

Noncompliance material to financial  
 Statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:  
 Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified that  
 are not considered to be material  
 weaknesses?      Yes   X   None Reported

Type of auditor's report issued on compliance  
 for major programs: Unqualified

Any audit findings disclosed that are required  
 To be reported in accordance with the  
 Uniform Guidance?      Yes   X   No

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Wastewater Disposal Systems for Rural Communities
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between  
 type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?      Yes   X   No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF LAMESA  
Lamesa, Texas

SUMMARY OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2022

<u>Explanation</u> <u>Findings/Recommendation</u> <u>Implemented</u>	<u>Current Status</u>	<u>Management's</u> <u>if Not</u>
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Not Applicable - None

CITY OF LAMESA  
Lamesa, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2022

Not Applicable – None Required

CITY OF LAMESA  
Lamesa, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2022

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal AL Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	770,166
Total U.S. Department of Agriculture			<u>770,166</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Housing Choice Voucher Program	14.871	N/A	479,887
Passed Through Texas Department of Agriculture:			
TXCDBG Water Infrastructure	14.228	7220259	363,362
TXCDBG Downtown Revitalization	14.228	7110182	95,869
Total U.S. Department of Housing and Urban Development			<u>939,118</u>
<u>U.S. Department of Transportation</u>			
Passed Through Texas Department of Transportation:			
Airport Rescue Plan Act Grant	20.106	22CVLAMES	32,000
Total U.S. Department of Transportation			<u>32,000</u>
<u>U.S. Department of the Treasury</u>			
Direct Program:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,454,116
Total U.S. Department of the Treasury			<u>1,454,116</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 3,195,400</u>

\* - Indicates a cluster program under Uniform Guidance.

The accompanying notes are an integral part of this schedule.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2022

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. The Business-Type activities are reported using the economic resources measurement focus and the accrual basis of accounting.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received they are recorded as unearned revenue until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in 2 CFR Part 200, Part 3, Section H, Period of Performance.

The City did not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ANNUAL FINANCIAL REPORT**

**CITY OF LAMESA, TEXAS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

CITY OF LAMESA  
Lamesa, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2022

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CITY OF LAMESA  
Lamesa, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2022

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*INTRODUCTORY SECTION*

CITY OF LAMESA  
Lamesa, Texas

September 30, 2022

CITY COUNCIL

Josh Stevens

Mayor

Morgan Vermillion

Councilmember

Fred Vera

Councilmember

Gloria V. Rodriguez

Councilmember

Danny Jacobs

Councilmember

Bobby Gonzales

Councilmember

Rudy Sauseda Jr.

Councilmember

ADMINISTRATIVE STAFF

Joe Hines

City Manager

Betty Conde

City Secretary

Wayne Chapman

Finance Director

*FINANCIAL SECTION*

# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

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## Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council  
City of Lamesa, Texas  
Lamesa, Texas

### **Report on the Audit of the Financial Statements**

#### **Opinions**

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

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

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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, budgetary comparison information, and pension schedules, identified as required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

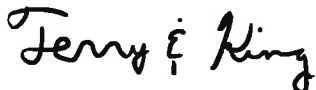
### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamesa, Texas' basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, on our consideration of the City of Lamesa, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lamesa, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lamesa, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Terry & King, CPAs, P.C.  
Lubbock, Texas  
May 11, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Lamesa's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2022. Please read this in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$4,999,614 or 41%, net position of our governmental activities increased by \$514,087 or 5%.
- During the year, the City had expenses that were \$315,295 less than the \$5,610,073 generated in tax and other revenues for governmental programs before transfers.
- In the City's business type activities, charges for services increased \$346,141 to \$8,592,870 (or 4%) while operating expenses increased \$289,530 to \$6,888,661. Grants and contributions in the City's business-type activities increased \$2,751,285 to \$3,236,263.
- The General Fund reported a deficit this year of \$70,541 after receiving transfers from other funds of \$201,227.
- The resources available for appropriation were \$24,722 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$142,293.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.



## **Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the fire, police, streets, and parks departments, and general administration. Property taxes, sales taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, sewer, sanitation, golf course, and HUD housing program are reported here.

## **Reporting the City's Most Significant Funds – Fund Financial Statements**

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## **THE CITY AS A WHOLE**

The City’s combined net position was \$28,233,119. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$28,233,119 at September 30, 2022. (See Table A-1).

Table A-1  
City of Lamesa's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2022	2021	Percentage Change	2022	2021	Percentage Change	2022	2021	Percentage Change
<b>Current assets:</b>									
Cash in Bank	6,938,332	6,944,152	0%	8,146,147	6,520,340	25%	15,084,479	13,464,492	12%
Cash in Bank - restricted	-	-	0%	1,534,477	664,026	131%	1,534,477	664,026	131%
Other current assets	889,106	750,878	18%	1,472,658	973,681	51%	2,361,764	1,724,559	37%
Lease Receivable	-	-	0%	13,232	-	100%	13,232	-	100%
Internal Balances	(1,034,430)	97,268	-1163%	1,034,430	(97,268)	-1163%	-	-	0%
Total current assets:	6,793,008	7,792,298	-13%	12,200,944	8,060,779	51%	18,993,952	15,853,077	20%
<b>Noncurrent assets:</b>									
Net Pension Asset	1,767,790	846,521	109%	1,002,540	514,881	95%	2,770,330	1,361,402	103%
Lease Receivable	-	-	0%	36,665	-	100%	36,665	-	100%
Land	14,988	14,988	0%	386,181	369,238	5%	401,169	384,226	4%
Construction in Progress	150,659	-	100%	10,562,359	1,056,939	699%	10,713,018	1,056,939	914%
Depreciable Capital Assets, net	4,428,136	4,583,357	-3%	10,762,750	11,146,098	-3%	15,190,886	15,729,455	-3%
Water Rights, net	-	-	0%	1,738,776	2,008,487	-13%	1,738,776	2,008,487	-13%
Total noncurrent assets	6,361,573	5,444,866	17%	24,489,271	15,095,643	62%	30,850,844	20,540,509	50%
Total Assets	13,154,581	13,237,164	-1%	36,690,215	23,156,422	58%	49,844,796	36,393,586	37%
<b>Deferred Outflows of Resources</b>	87,692	473,188	-81%	139,547	150,650	-7%	227,239	623,838	-64%
<b>Current liabilities</b>	967,518	813,886	19%	1,477,085	92,041	1505%	2,444,603	905,927	170%
<b>Noncurrent liabilities:</b>									
Customer Deposits	10,990	13,381	-18%	296,295	295,750	0%	307,285	309,131	-1%
Compensated Absences	117,382	83,029	41%	77,073	77,362	0%	194,455	160,391	21%
Premium on Debt Issuance	-	-	0%	355,041	376,120	-6%	355,041	376,120	-6%
Due within one year	97,762	145,984	-33%	1,105,594	897,533	23%	1,203,356	1,043,517	15%
Due in more than one year	146,340	200,949	-27%	14,914,636	9,031,688	65%	15,060,976	9,232,637	63%
Total Liabilities	1,339,992	1,257,229	7%	18,225,724	10,770,494	69%	19,565,716	12,027,723	63%
<b>Deferred inflows of Resources</b>	923,342	1,988,271	-54%	1,349,858	282,012	379%	2,273,200	2,270,283	0%
<b>Net Position:</b>									
Net investment in capital assets	4,349,681	4,598,345	-5%	7,777,808	5,589,016	39%	12,127,489	10,187,361	19%
Restricted	866,065	888,477	-3%	68,997	87,027	-21%	935,062	975,504	-4%
Unrestricted	5,763,193	4,978,030	16%	9,407,375	6,578,523	43%	15,170,568	11,558,553	31%
Total Net Position	10,978,939	10,464,852	5%	17,254,180	12,254,566	41%	28,233,119	22,719,418	24%

Net position of the City's governmental activities increased (\$10,978,939 compared to \$10,464,852). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$4,978,030 at September 30, 2021 to \$5,763,193 at the end of this year. Net position of the City's business-type activities increased 41%, from \$12,254,566 to \$17,254,180.

Table A-2  
Changes in City of Lamesa's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2022	2021	Percentage Change	2022	2021	Percentage Change	2022	2021	Percentage Change
<b>Program Revenues:</b>									
Charges for Services	253,033	163,884	54%	8,592,870	8,246,729	4%	8,845,903	8,410,613	5%
Grants & Contributions	389,904	735,459	-47%	3,236,263	484,978	567%	3,626,167	1,220,437	197%
<b>General Revenues:</b>									
Property Taxes	2,500,407	2,340,357	7%	-	-	0%	2,500,407	2,340,357	7%
Nonproperty Taxes	2,044,268	1,971,456	4%	-	-	0%	2,044,268	1,971,456	4%
Investment Earnings	11,723	41,018	-71%	11,819	33,435	-65%	23,542	74,453	-68%
Other	410,738	329,498	25%	246,115	554,230	0%	656,853	883,728	-26%
	<u>5,610,073</u>	<u>5,581,672</u>	<u>1%</u>	<u>12,087,067</u>	<u>9,319,372</u>	<u>30%</u>	<u>17,697,140</u>	<u>14,901,044</u>	<u>19%</u>
<b>Expenses:</b>									
Administration	300,455	550,325	-45%	-	-	0%	300,455	550,325	-45%
General Government	367,938	443,423	-17%	-	-	0%	367,938	443,423	-17%
Housing Assistance	32,882	-	100%	-	-	0%	32,882	-	100%
Tourism	122,199	111,515	10%	-	-	0%	122,199	111,515	10%
Fire	841,224	436,054	93%	-	-	0%	841,224	436,054	93%
Streets	537,082	421,011	28%	-	-	0%	537,082	421,011	28%
Vehicle Services	49,345	58,433	-16%	-	-	0%	49,345	58,433	-16%
Police	2,116,574	1,703,421	24%	-	-	0%	2,116,574	1,703,421	24%
Parks & Recreation	832,872	963,176	-14%	-	-	0%	832,872	963,176	-14%
Airport	81,363	59,753	36%	-	-	0%	81,363	59,753	36%
Water	-	-	0%	3,496,669	3,162,606	11%	3,496,669	3,162,606	11%
Wastewater	-	-	0%	489,982	523,693	-6%	489,982	523,693	-6%
Solids Waste	-	-	0%	1,828,878	1,829,753	0%	1,828,878	1,829,753	0%
Golf Course	-	-	0%	241,323	265,365	-9%	241,323	265,365	-9%
Housing Program	-	-	0%	471,256	430,271	10%	471,256	430,271	10%
Interest & Related Fees	12,844	17,983	-29%	360,553	387,443	-7%	373,397	405,426	-8%
	<u>5,294,778</u>	<u>4,765,094</u>	<u>11%</u>	<u>6,888,661</u>	<u>6,599,131</u>	<u>4%</u>	<u>12,183,439</u>	<u>11,364,225</u>	<u>7%</u>
<b>Excess (Deficiency) Before Other Resources, Uses &amp; Transfers</b>	315,295	816,578	61%	5,198,406	2,720,241	91%	5,513,701	3,536,819	56%
<b>Other Resources (Uses) Transfers In (Out)</b>	198,792	203,668	-2%	(198,792)	(203,668)	2%	-	-	0%
<b>Increase (Decrease) in Net Position</b>	514,087	1,020,246	50%	4,999,614	2,516,573	99%	5,513,701	3,536,819	56%
<b>Net Position - Beginning</b>	<u>10,464,852</u>	<u>9,444,606</u>	<u>11%</u>	<u>12,254,566</u>	<u>9,737,993</u>	<u>26%</u>	<u>22,719,418</u>	<u>19,182,599</u>	<u>18%</u>
<b>Net Position - Ending</b>	<u>10,978,939</u>	<u>10,464,852</u>	<u>5%</u>	<u>17,254,180</u>	<u>12,254,566</u>	<u>41%</u>	<u>28,233,119</u>	<u>22,719,418</u>	<u>24%</u>

The City's total revenues were \$17,697,140. A significant portion, 68%, of the City's total revenue comes from business-type activities. Revenues available to fund governmental activities consist of property taxes (45%), non-property taxes (36%), charges for services (5%), grants and contributions (7%), and other (7%).

The total cost of all programs and services was \$12,183,439; 56% of these costs were for business-type activity expenses. Expenses for governmental activities consisted of costs for administration (6%), general government (7%), Tourism (2%), police and fire (57%), streets (10%), parks and recreation (17%), other (1%).

### **Governmental Activities**

Revenues for the City's governmental activities increased 1%, while total expenses increased 11%.

- Property tax rates increased from \$0.823236 to \$0.853826 per \$100 valuation. The ad valorem tax levy was \$2,425,828 for the current year. Total tax collections were \$2,394,162 in the current year.
- Grants and contributions revenues increased \$345,555.
- Nonproperty tax revenues increased \$72,812.
- Charges for services increased \$89,149.
- The cost of all *governmental* activities this year was \$5,294,778. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$2,500,407 because some of the costs were paid by those who directly benefited from the programs (\$253,033), by nonproperty taxes (\$2,044,268), or grants and contributions (\$389,904).

### **Business-type Activities**

Revenues of the City's business-type activities (see table A-2) increased 30% (\$12,087,067 from \$9,319,372) and expenses increased 4% (\$6,888,661 from \$6,599,131).

The City's Water Fund received capital grants and contributions of \$3,002,185 in the current year.

## THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$4,215,129, which is a decrease from the prior year's total of \$4,308,082. The following items effecting fund balance should be noted:

- In the prior year, expenditures were more than revenues by \$10,674 prior to transfers. In the current year, expenditures were more than revenues by \$291,745 prior to transfers.
- The revenues in the governmental funds decreased \$78,200 or 1% from the prior period and expenses for the governmental funds increased \$316,396 or 6% from the prior period.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget once. Even with these adjustments, actual revenues were \$24,722 more than budgeted amounts and expenditures were \$142,293 less than final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2022, the City had \$52,018,538 invested in a broad range of capital assets, including buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$10,709,504 over last year.

Table A-3  
Fixed Assets

Governmental <u>Activities:</u>	Balance <u>10-01-21</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>09-30-22</u>
Land	\$ 14,988	-	-	14,988
Construction in Progress	-	150,659	-	150,659
Buildings & Improvements	5,284,691	295,387	-	5,580,078
Vehicles & Equipment	3,214,147	108,867	-	3,323,014
Machinery & Equipment	1,645,537	15,000	-	1,660,537
Accumulated Depreciation	<u>(5,561,017)</u>	<u>(574,476)</u>	<u>-</u>	<u>(6,135,493)</u>
Net Capital Assets	<u>\$ 4,598,346</u>	<u>\$ (4,563)</u>	<u>\$ -</u>	<u>\$ 4,593,783</u>

Business-Type Activities:	Balance 10-01-21	Additions	Deletions/ Reclassifications	Balance 09-30-22
Land	\$ 369,238	16,944	-	386,182
Construction in Progress	1,056,939	9,505,420	-	10,562,359
Buildings & Improvements	2,653,637	28,260	-	2,681,897
Other Improvements	10,628,246	477,258	-	11,105,504
Vehicles & Equipment	9,625,117	197,389	(85,680)	9,736,826
Infrastructure	6,816,494	-	-	6,816,494
Accumulated Depreciation	<u>(18,577,392)</u>	<u>(1,086,258)</u>	<u>(85,680)</u>	<u>(19,577,970)</u>
Net Capital Assets	<u>\$12,572,279</u>	<u>\$ 9,139,013</u>	<u>\$ -</u>	<u>\$ 21,711,292</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of leases or notes payable with a financial institution.

Governmental Activities:	Balance 10-01-21	Additions	Decreases	Balance 09-30-22	Due Within One Year
Tax Notes	\$ 109,839	\$ 108,599	\$ 35,379	\$ 183,059	\$ 36,719
Direct Financings	237,009	-	175,966	61,043	61,043
Compensated Absences	<u>83,029</u>	<u>34,351</u>	<u>-</u>	<u>117,380</u>	<u>-</u>
	<u>\$ 429,877</u>	<u>\$ 142,950</u>	<u>\$ 211,345</u>	<u>\$ 361,482</u>	<u>\$ 97,762</u>

Business-Type Activities:	Balance 10-01-21	Additions	Decreases	Balance 09-30-22	Due Within One Year
G.O. Bonds	\$ 3,825,000	\$ -	\$ 100,000	\$ 3,725,000	\$ 100,000
Certificates of Obligation	125,000	6,910,000	125,000	6,910,000	125,000
Tax Notes	1,061,160	1,702,395	436,984	2,326,571	444,340
CRMWA Bonds	2,057,763	506,998	844,748	1,720,013	337,802
Bond Issuance Premium	376,120	34,419	55,498	355,041	-
Direct Financings	2,233,666	-	1,597,368	636,298	99,119
Compensated Absences	<u>77,562</u>	<u>-</u>	<u>489</u>	<u>77,073</u>	<u>-</u>
Total	<u>\$ 9,756,271</u>	<u>\$ 9,153,812</u>	<u>\$ 3,160,087</u>	<u>\$15,749,996</u>	<u>\$1,106,261</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials considered many factors when setting the fiscal year 2023 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2023.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Lamesa, Texas.



*BASIC FINANCIAL STATEMENTS*

CITY OF LAMESA  
Lamesa, Texas

STATEMENT OF NET POSITION  
September 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lamesa Economic Development Corporation	Lamesa Economic Alliance Project
<b>ASSETS:</b>					
Cash in Bank	\$ 6,938,332	\$ 8,146,147	\$ 15,084,479	\$ 1,502,179	\$ 1,292,138
Accounts Receivable, net	27,351	811,790	839,141	-	-
Taxes Receivable, net	185,131	-	185,131	-	-
Interfund Balances	(1,034,430)	1,034,430	-	-	-
Due from City	-	-	-	77,145	77,145
Due from Component Unit	3,193	-	3,193	-	-
Due from Other Governments	560,172	290,753	850,925	-	-
Other Receivables	113,259	-	113,259	50,000	143,237
Inventory - Supplies	-	370,115	370,115	-	-
Inventory - Land	-	-	-	245,561	67,200
Restricted Cash and Cash Equivalents	-	1,534,477	1,534,477	-	-
Leases Receivable	-	49,897	49,897	847,069	-
Net Pension Asset	1,767,790	1,002,540	2,770,330	68,102	-
Capital Assets:					
Land	14,988	386,181	401,169	-	-
Construction in Progress	150,659	10,562,359	10,713,018	-	-
Depreciable Capital Assets, net	4,428,136	10,762,750	15,190,886	-	-
Water Rights, net	-	1,738,776	1,738,776	-	-
<b>TOTAL ASSETS</b>	<b>\$ 13,154,581</b>	<b>\$ 36,690,215</b>	<b>\$ 49,844,796</b>	<b>\$ 2,790,056</b>	<b>\$ 1,579,720</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows - Pension	87,692	46,602	134,294	3,515	-
Deferred Charge on Bond Refunding	-	92,945	92,945	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>87,692</b>	<b>139,547</b>	<b>227,239</b>	<b>3,515</b>	<b>-</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 775,088	\$ 1,413,804	\$ 2,188,892	\$ -	\$ -
Accrued Payroll	38,140	19,785	57,925	1,726	-
Accrued Interest	-	43,496	43,496	-	-
Due to City	-	-	-	2,408	785
Due to Component Units	154,290	-	154,290	-	-
<b>Noncurrent Liabilities:</b>					
Customer Deposits	10,990	296,295	307,285	-	-
Compensated Absences	117,382	77,073	194,455	-	-
Premium on Debt Issuance	-	355,041	355,041	-	-
Due Within One Year	97,762	1,105,594	1,203,356	-	-
Due in More Than One Year	146,340	14,211,623	14,357,963	-	-
Landfill Closure/Postclosure	-	703,013	703,013	-	-
<b>Total Liabilities</b>	<b>\$ 1,339,992</b>	<b>\$ 18,225,724</b>	<b>\$ 19,565,716</b>	<b>\$ 4,134</b>	<b>\$ 785</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows - Pension	923,342	483,100	1,406,442	34,572	-
Deferred Grant Proceeds	-	816,861	816,861	-	-
Deferred Inflows - Lease Income	-	49,897	49,897	847,069	-
<b>Total Deferred Inflows of Resources</b>	<b>923,342</b>	<b>1,349,858</b>	<b>2,273,200</b>	<b>881,641</b>	<b>-</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 4,349,681	\$ 7,777,808	\$ 12,127,489	\$ -	\$ -
Restricted for:					
Grant Projects	459,093	2,435	461,528	-	-
Tourism	338,854	-	338,854	-	-
Enabling Legislation	68,118	-	68,118	-	-
HUD Programs	-	66,562	66,562	-	-
Unrestricted	5,763,193	9,407,375	15,170,568	1,907,796	1,578,935
<b>Total Net Position</b>	<b>\$ 10,978,939</b>	<b>\$ 17,254,180</b>	<b>\$ 28,233,119</b>	<b>\$ 1,907,796</b>	<b>\$ 1,578,935</b>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2022

Functional Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Lamesa Economic Development Corporation	Lamesa Economic Alliance Project
Government Activities:									
Administration	\$ 300,455	\$ 21,392	\$ -	\$ -	\$ (279,063)		\$ (279,063)		
General Government	367,938	143,346	20,000	-	(204,592)		(204,592)		
Housing Assistance	32,882	-	-	-	(32,882)				
Tourism	122,199	-	-	-	(122,199)		(122,199)		
Fire	841,224	-	174,811	17,735	(548,678)		(648,678)		
Streets	537,082	14,704	-	95,869	(426,509)		(426,509)		
Vehicle Services	49,345	-	-	-	(49,345)		(49,345)		
Police	2,116,574	35,653	128	-	(2,080,795)		(2,080,795)		
Parks and Recreation	832,872	37,938	-	-	(794,934)		(794,934)		
Airport	81,363	-	-	81,363	-		-		
Interest Expense and Related Fees	12,844	-	-	-	(12,844)		(12,844)		
<b>Total Governmental Activities</b>	<b>5,294,778</b>	<b>253,033</b>	<b>194,937</b>	<b>194,967</b>	<b>(4,651,841)</b>		<b>(4,618,959)</b>		
Business-type Activities									
Water	3,496,669	4,264,964	-	3,002,185		3,790,480	3,790,480		
Wastewater	488,982	1,534,574	-	-		1,044,592	1,044,592		
Solid Waste	1,828,878	2,110,489	87,925	-		369,516	369,516		
Municipal Golf Course	241,323	182,976	146,153	-		87,806	87,806		
Housing Program	471,256	479,867	-	-		8,631	8,631		
Interest Expense and Related Fees	360,553	-	-	-		(360,553)	(360,553)		
<b>Total Business-type Activities</b>	<b>\$ 6,888,661</b>	<b>\$ 8,592,870</b>	<b>\$ 234,078</b>	<b>\$ 3,002,185</b>		<b>\$ 4,940,472</b>	<b>\$ 4,940,472</b>		
<b>Total Primary Government</b>	<b>\$ 12,183,439</b>	<b>\$ 8,845,903</b>	<b>\$ 429,015</b>	<b>\$ 3,197,152</b>	<b>\$ (4,651,841)</b>	<b>\$ 4,940,472</b>	<b>\$ 321,513</b>		
Component Unit:									
Lamesa Economic Development Corporation	\$ 209,871	\$ 12,294	\$ -	\$ -				(197,577)	-
Lamesa Economic Alliance Project	128,270	-	-	-				-	(128,270)
<b>Total Component Units</b>	<b>\$ 338,141</b>	<b>\$ 12,294</b>	<b>\$ -</b>	<b>\$ -</b>				<b>\$ (197,577)</b>	<b>\$ (128,270)</b>
General Revenues									
Property Taxes, Levied for General Purposes					2,500,407		2,500,407		
Sales Taxes					1,510,048		1,510,048	376,541	376,541
Franchise Taxes					398,376		398,376		
Metal Occupancy Tax					135,844		135,844		
Investment Earnings					11,723	11,819	23,542	45,732	3,198
Miscellaneous					403,238	217,187	620,425		
Gain on Sale of Assets					7,500	28,928	36,428	32,236	
Transfers					198,792	(198,792)			
<b>Total General Revenues and Transfers</b>					<b>5,165,928</b>	<b>59,142</b>	<b>5,225,070</b>	<b>454,509</b>	<b>379,739</b>
Change in Net Position					514,087	4,999,614	5,513,701	256,932	251,469
Net Position - Beginning					10,464,852	12,254,566	22,719,418	1,740,891	1,327,466
Prior Period Adjustment								(90,027)	
<b>Net Position - Ending</b>					<b>\$ 10,978,939</b>	<b>\$ 17,254,180</b>	<b>\$ 28,233,119</b>	<b>\$ 1,907,796</b>	<b>\$ 1,578,935</b>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS  
September 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 4,758,955	\$ 861,761	\$ 5,620,716
Taxes Receivable, net	185,131	-	185,131
Accounts Receivable	693	26,658	27,351
Due from Other Governments	471,318	88,854	560,172
Other Receivables	113,259	-	113,259
Due from Other Funds	4,435	-	4,435
Due from Component Unit	3,193	-	3,193
	<u>3,193</u>	<u>-</u>	<u>3,193</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 5,536,984</u></b>	<b><u>\$ 977,273</u></b>	<b><u>\$ 6,514,257</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 663,880	\$ 111,208	\$ 775,088
Accrued Payroll	38,140	-	38,140
Customer Deposits	10,990	-	10,990
Due to Other Funds	1,135,489	-	1,135,489
Due to Component Units	154,290	-	154,290
	<u>154,290</u>	<u>-</u>	<u>154,290</u>
<b><u>Total Liabilities</u></b>	<b><u>2,002,789</u></b>	<b><u>111,208</u></b>	<b><u>2,113,997</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	\$ 185,131	\$ -	\$ 185,131
Deferred Grant Proceeds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Total Deferred Inflows of Resources</u></b>	<b><u>\$ 185,131</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 185,131</u></b>
<b>FUND BALANCES:</b>			
<b>Restricted For:</b>			
Grant Projects	-	459,093	459,093
Tourism	-	338,854	338,854
Enabling Legislation	-	68,118	68,118
Unassigned	3,349,064	-	3,349,064
	<u>3,349,064</u>	<u>-</u>	<u>3,349,064</u>
<b><u>Total Fund Balances</u></b>	<b><u>3,349,064</u></b>	<b><u>866,065</u></b>	<b><u>4,215,129</u></b>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>	<b><u>\$ 5,536,984</u></b>	<b><u>\$ 977,273</u></b>	<b><u>\$ 6,514,257</u></b>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2022

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 4,215,129
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	185,131
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,593,783
Some liabilities, including notes payable are not due and payable in the current period and therefore are not reported in the funds	(244,102)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(117,382)
The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	1,414,240
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$1,767,790, a deferred resource outflow related to Pensions in the amount of \$87,692, and a deferred resource inflow in the amount of \$923,342. This resulted in a increase in net position by \$932,140.	<u>932,140</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 10,978,939</u>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2022

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES:</b>			
<b>Taxes:</b>			
Property Taxes (Including Penalty & Interest)	\$ 2,458,801	\$ -	\$ 2,458,801
Sales Taxes	1,510,048	-	1,510,048
Franchise Taxes	398,376	-	398,376
Motel Occupancy Taxes	-	135,844	135,844
Licenses and Permits	97,030	-	97,030
Charges for Services	109,156	-	109,156
Fines, Fees, and Forfeits	71,820	13,204	85,024
Investment Income	8,927	2,053	10,980
Intergovernmental	174,907	-	174,907
Rents	25,127	-	25,127
Community Event	68,212	-	68,212
State Grants	-	67,098	67,098
Federal Grants	-	127,869	127,869
Donations	20,000	30	20,030
Insurance Recovery	233,677	-	233,677
Miscellaneous	4,725	-	4,725
<u>Total Revenues</u>	<u>5,180,806</u>	<u>346,098</u>	<u>5,526,904</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Administration	340,592	-	340,592
General Government	363,491	7,294	370,785
Housing Assistance	32,882	-	32,882
Tourism	-	109,926	109,926
Fire	804,966	16,721	821,687
Streets	598,391	150,659	749,050
Vehicle Services	32,498	-	32,498
Police	2,301,455	112	2,301,567
Parks & Recreation	682,524	-	682,524
Airport	-	81,363	81,363
Principal on Long-Term Debt	211,353	-	211,353
Interest on Long-Term Debt	12,923	-	12,923
Capital Outlay	187,598	-	187,598
<u>Total Expenditures</u>	<u>5,568,673</u>	<u>366,075</u>	<u>5,934,748</u>
Excess of Revenues Over (Under) Expenditures	(387,867)	(19,977)	(407,844)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In/(Out)	201,227	(2,435)	198,792
Sale of Real and Personal Property	7,500	-	7,500
Proceeds from Long-Term Debt	108,599	-	108,599
<u>Total Other Sources (Uses)</u>	<u>317,326</u>	<u>(2,435)</u>	<u>314,891</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(70,541)	(22,412)	(92,953)
Fund Balance--Beginning of Year	3,419,605	888,477	4,308,082
<u>Fund Balance--End of Year</u>	<u>\$ 3,349,064</u>	<u>\$ 866,065</u>	<u>\$ 4,215,129</u>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2022

Net Change in Fund Balances -- Total Governmental Funds	\$	(92,953)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.		569,913
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.		(574,475)
Certain revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.		(21,698)
Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases the long-term liabilities in the statement of net position.		(108,599)
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for long-term debt.		211,432
The net revenue or expense of internal service funds are reported with governmental activities.		97,365
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in pension expense	467,453	
Change in compensated absences	(34,351)	
	<u>467,453</u>	<u>433,102</u>
Change in Net Position -- Statement of Activities	\$	<u>514,087</u>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
September 30, 2022

	Business-Type Activities - Major Enterprise Funds						Governmental Activities - Internal Service Fund
	Water	Wastewater	Solid Waste	Municipal Golf Course	Housing Program	Totals	
<b>ASSETS</b>							
<u>Current Assets:</u>							
Cash and Cash Equivalents	\$ 4,353,040	\$ 2,029,890	\$ 1,755,985	\$ 7,232	\$ -	\$ 8,146,147	\$ 1,317,616
Receivables, Net of Allowances	426,189	166,065	218,349	1,187	-	811,790	-
Leases Receivable - current	13,232	-	-	-	-	13,232	-
Due from Other Funds	1,135,489	-	75,000	-	-	1,210,489	96,624
Due from Other Governments	290,753	-	-	-	-	290,753	-
Inventory	370,115	-	-	-	-	370,115	-
<u>Restricted Assets:</u>							
Cash and Cash Equivalents	764,258	-	703,013	-	67,206	1,534,477	-
<b>Total Current Assets</b>	<b>7,353,076</b>	<b>2,195,955</b>	<b>2,752,347</b>	<b>8,419</b>	<b>67,206</b>	<b>12,377,003</b>	<b>1,414,240</b>
<u>Non-Current Assets:</u>							
Leases Receivable	36,665	-	-	-	-	36,665	-
Net Pension Asset	459,140	118,983	342,880	81,537	-	1,002,540	-
Land	67,322	95,540	143,957	79,362	-	386,181	-
Construction in Progress	9,887,050	675,309	-	-	-	10,562,359	-
Buildings and Improvements, net	115,240	-	226,806	19,823	-	361,869	-
Improvements other than buildings, net	4,103,099	36,000	-	-	-	4,139,099	-
Infrastructure, net	4,530,379	-	-	-	-	4,530,379	-
Vehicles, Machinery and Equipment, net	443,168	41,719	1,220,927	25,589	-	1,731,403	-
Water Rights, net	1,738,776	-	-	-	-	1,738,776	-
<b>Total Non-Current Assets</b>	<b>21,380,839</b>	<b>967,551</b>	<b>1,934,570</b>	<b>206,311</b>	<b>-</b>	<b>24,489,271</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 28,733,915</b>	<b>\$ 3,163,506</b>	<b>\$ 4,686,917</b>	<b>\$ 214,730</b>	<b>\$ 67,206</b>	<b>\$ 36,866,274</b>	<b>\$ 1,414,240</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows - Pension	\$ 21,530	\$ 5,269	\$ 16,021	\$ 3,782	\$ -	\$ 46,602	\$ -
Deferred Charge on Bond Refunding	19,520	73,425	-	-	-	92,945	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 41,050</b>	<b>\$ 78,694</b>	<b>\$ 16,021</b>	<b>\$ 3,782</b>	<b>\$ -</b>	<b>\$ 139,547</b>	<b>\$ -</b>
<b>LIABILITIES</b>							
<u>Current Liabilities</u>							
Accounts Payable	\$ 1,411,077	\$ -	\$ 2,727	\$ -	\$ -	\$ 1,413,804	\$ -
Accrued Payroll	10,522	2,039	5,327	1,897	-	19,785	-
Accrued Interest Expense	-	43,496	-	-	-	43,496	-
Due to Other Funds	75,000	-	-	100,415	644	176,059	-
<u>Non-current Liabilities</u>							
Customer Deposits	296,295	-	-	-	-	296,295	-
Compensated Absences	28,260	13,885	20,484	14,444	-	77,073	-
Premium on Debt Issuances	47,115	307,926	-	-	-	355,041	-
Due within one year	633,294	239,369	232,931	-	-	1,105,594	-
Due in more than one year	9,058,570	4,071,097	1,081,956	-	-	14,211,623	-
Landfill Closure/Postclosure	-	-	703,013	-	-	703,013	-
<b>Total Liabilities</b>	<b>11,560,133</b>	<b>4,677,812</b>	<b>2,046,438</b>	<b>116,756</b>	<b>644</b>	<b>18,401,783</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Deferred Inflows - Pension	220,471	52,377	170,588	39,664	-	483,100	-
Deferred Inflows - Grant Income	816,861	-	-	-	-	816,861	-
Deferred Inflows - Lease Income	49,897	-	-	-	-	49,897	-
<b>Total Deferred Inflows of Resources</b>	<b>1,087,229</b>	<b>52,377</b>	<b>170,588</b>	<b>39,664</b>	<b>-</b>	<b>1,349,858</b>	<b>-</b>
<b>NET POSITION</b>							
Net investment in capital assets	11,146,055	(3,769,824)	276,803	124,774	-	7,777,808	-
Restricted	2,435	-	-	-	66,562	68,997	-
Unrestricted	4,979,113	2,281,835	2,209,109	(62,682)	-	9,407,375	1,414,240
<b>Total Net Position</b>	<b>\$ 16,127,603</b>	<b>\$ (1,487,989)</b>	<b>\$ 2,485,912</b>	<b>\$ 62,092</b>	<b>\$ 66,562</b>	<b>\$ 17,254,375</b>	<b>\$ 1,414,240</b>

The accompanying notes are an integral part of this statement.



CITY OF LAMESA  
Lamesa, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2022

	Business-Type Activities - Major Enterprise Funds					Totals	Governmental Activities - Internal Service Fund
	Water	Wastewater	Solid Waste	Municipal Golf Course	Housing Program		
<b>Operating Revenues</b>							
Water Revenue	\$ 4,266,225	\$ -	\$ -	\$ -	\$ -	\$ 4,266,225	\$ -
Wastewater Revenue	-	1,534,574	-	-	-	1,534,574	-
Sanitation Charges	-	-	2,110,469	-	-	2,110,469	-
Municipal Golf Course Fees	-	-	-	182,976	-	182,976	-
Commercial Rentals and Fees	18,739	-	-	-	479,887	498,626	-
Interdepartmental Billings	-	-	-	-	-	-	928,743
<b>Total Operating Revenues</b>	<b>4,284,964</b>	<b>1,534,574</b>	<b>2,110,469</b>	<b>182,976</b>	<b>479,887</b>	<b>8,592,870</b>	<b>928,743</b>
<b>Operating Expenses</b>							
Housing Assistance Payments	-	-	-	-	438,004	438,004	-
Personnel Services	801,241	199,926	578,020	139,728	-	1,718,915	832,120
Water Treatment and Purchases	611,895	-	-	-	-	611,895	-
Supplies	186,762	25,171	32,309	22,455	-	266,697	-
Repairs and Maintenance	473,461	112,305	266,410	32,718	-	884,894	-
Utilities and Fuel	178,508	81,664	154,056	17,333	-	431,561	-
Noncapitalized Equipment	-	-	-	-	-	-	-
Other Operating	328,334	70,916	379,352	8,317	33,252	820,171	-
Depreciation and Amortization	916,468	-	418,731	20,772	-	1,355,971	-
<b>Total Operating Expenses</b>	<b>3,496,669</b>	<b>489,982</b>	<b>1,828,878</b>	<b>241,323</b>	<b>471,256</b>	<b>6,528,108</b>	<b>832,120</b>
<b>Operating Income (Loss)</b>	<b>788,295</b>	<b>1,044,592</b>	<b>281,591</b>	<b>(58,347)</b>	<b>8,631</b>	<b>2,064,762</b>	<b>96,623</b>
<b>Non-Operating Revenues (Expenses)</b>							
Interest Revenue	7,390	1,626	2,649	-	154	11,819	743
Gain (Loss) on Sale of Assets	-	-	-	28,928	-	28,928	-
Intergovernmental Revenue	-	-	87,925	146,153	-	234,078	-
Miscellaneous Income (Expense)	53,687	50,726	112,382	392	-	217,187	-
Interest Expense	(174,077)	(122,029)	(40,421)	(9,060)	-	(345,587)	-
Cost of Debt Issuance	(11,907)	(3,059)	-	-	-	(14,966)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(124,907)</b>	<b>(72,736)</b>	<b>162,535</b>	<b>166,413</b>	<b>154</b>	<b>131,459</b>	<b>743</b>
<b>Income Before Contributions and Transfers</b>	<b>663,388</b>	<b>971,856</b>	<b>444,126</b>	<b>108,066</b>	<b>8,785</b>	<b>2,196,221</b>	<b>97,366</b>
<b>Contributions and Transfers</b>							
Grant Revenues	2,587,644	-	-	-	-	2,587,644	-
Capital Contribution	414,541	-	-	-	-	414,541	-
Transfer from/(to) Other Funds	(117,145)	-	(81,647)	-	-	(198,792)	-
<b>Total Contributions and Transfers</b>	<b>2,885,040</b>	<b>-</b>	<b>(81,647)</b>	<b>-</b>	<b>-</b>	<b>2,803,393</b>	<b>-</b>
Change in Net Position	3,548,428	971,856	362,479	108,066	8,785	4,999,614	97,366
<b>NET POSITION</b>							
Net Position, Beginning of Year	12,579,175	(2,459,845)	2,123,433	(45,974)	57,777	12,254,566	1,316,874
Net Position, End of Year	\$ 16,127,603	\$ (1,487,989)	\$ 2,485,912	\$ 62,092	\$ 66,562	\$ 17,254,180	\$ 1,414,240

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas  
STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2022

	Business-Type Activities - Major Enterprise Funds						Governmental Activities - Internal Service Fund
	Water	Wastewater	Solid Waste	Municipal Golf Course	Housing Program	Totals	
<b>Cash Flows from Operating Activities:</b>							
Receipts from Customers	\$ 4,227,037	\$ 1,506,638	\$ 2,059,630	\$ 182,707	\$ -	\$ 7,976,012	\$ 928,743
Cash Payments for Insurance Policies and Settlements	-	-	-	-	-	-	(832,120)
Cash Payments for Housing Subsidies	-	-	-	-	479,887	479,887	-
Payments to Suppliers	(465,083)	(290,056)	(761,163)	(80,823)	(471,256)	(2,068,381)	-
Payments to Employees	(928,666)	(235,881)	(676,988)	(162,344)	-	(2,003,879)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,833,288</b>	<b>980,701</b>	<b>621,479</b>	<b>(60,460)</b>	<b>8,631</b>	<b>4,383,639</b>	<b>96,623</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>							
Transfers to Other Funds	(117,145)	-	(81,647)	-	-	(198,792)	-
Payments for Interfund Balances	(1,076,065)	-	-	(55,633)	-	(1,131,698)	-
Cash Received from Intergovernmental Contributions	-	-	87,925	146,153	-	234,078	-
Miscellaneous Income	53,687	50,726	112,382	392	-	217,187	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(1,139,523)</b>	<b>50,726</b>	<b>118,660</b>	<b>90,912</b>	<b>-</b>	<b>(879,225)</b>	<b>-</b>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>							
Acquisition of Capital Assets	(10,041,446)	(77,715)	(106,112)	-	-	(10,225,273)	-
Proceeds from Sale of Assets	-	-	-	28,928	-	28,928	-
Proceeds from Issuance of Long-Term Debt	8,148,569	38,660	430,263	-	-	8,617,492	-
Proceeds from grants	3,526,293	-	-	-	-	3,526,293	-
Payments on Long-Term Debt	(2,109,933)	(378,961)	(428,373)	(52,148)	-	(2,969,415)	-
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>(474,517)</b>	<b>(418,016)</b>	<b>(104,222)</b>	<b>(23,220)</b>	<b>-</b>	<b>(1,019,975)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>							
Interest and Dividends	7,390	1,626	2,649	-	154	11,819	743
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>7,390</b>	<b>1,626</b>	<b>2,649</b>	<b>-</b>	<b>154</b>	<b>11,819</b>	<b>743</b>
Net Increase (Decrease) in Cash & Cash Equivalents	1,226,638	615,037	638,566	7,232	8,785	2,496,258	97,366
Cash & Cash Equivalents--Beginning of Year	3,890,660	1,414,853	1,820,432	-	58,421	7,184,366	1,220,250
<b>Cash &amp; Cash Equivalents--End of Year</b>	<b>\$ 5,117,298</b>	<b>\$ 2,029,890</b>	<b>\$ 2,458,998</b>	<b>\$ 7,232</b>	<b>\$ 67,206</b>	<b>\$ 9,680,624</b>	<b>\$ 1,317,616</b>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:							
Operating Income (Loss)	\$ 788,295	\$ 1,044,592	\$ 281,591	\$ (58,347)	\$ 8,631	\$ 2,064,762	\$ 96,623
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:							
Depreciation	916,468	-	418,731	20,772	-	1,355,971	-
(Increase) Decrease in Net Pension Asset	(222,552)	(52,872)	(172,197)	(40,038)	-	(487,659)	-
(Increase) Decrease in Receivables	(35,484)	(27,936)	(50,839)	(269)	-	(114,528)	-
(Increase) Decrease in Inventory	(93,696)	-	-	-	-	(93,696)	-
(Increase) Decrease in Deferred Outflows	1,338	1,121	477	229	-	3,165	-
Increase (Decrease) in Liabilities	1,388,033	(371)	66,615	259	-	1,454,536	-
Increase (Decrease) in Deferred Inflows	90,886	16,167	77,101	16,934	-	201,088	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,833,288</b>	<b>\$ 980,701</b>	<b>\$ 621,479</b>	<b>\$ (60,460)</b>	<b>\$ 8,631</b>	<b>\$ 4,383,639</b>	<b>\$ 96,623</b>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS  
September 30, 2022

Note A: Summary of Significant Accounting Policies

The City of Lamesa, Texas (the City) operates under a Council - City Manager form of government. The City incorporated in 1917. The City provides a range of services, including tourism, general and administrative, airport, police and fire protection, maintenance of streets and other infrastructure, and recreational activities. The City also provides utilities for water, sewer, and solid waste, as well as operating the municipal golf course and providing housing assistance to local residents.

The accounting and reporting policies of the City relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, if applicable. The City's financial statements include accounts of all City operations. Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statement of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2  
September 30, 2022

Note A: Summary of Significant Accounting Policies (Continued)

Based on the aforementioned criteria, the City of Lamesa has two component units, the Lamesa Economic Development Corporation (LEDC) and the Lamesa Economic Alliance Project (LEAP). The LEDC and LEAP were formed to provide economic growth in the City. The governing boards of the LEDC and LEAP are appointed by the City Council. The City has assigned a portion of its sales tax revenues to the LEDC and LEAP for economic development within the City. During the fiscal year ended September 30, 2022 the City allocated \$376,541 of its sales tax revenue to the LEDC and \$376,541 to the LEAP. Complete financial statements for the component units can be obtained from their office at 123 Main Avenue, Lamesa, Texas 79331.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3  
September 30, 2022

Note A: Summary of Significant Accounting Policies (Continued)

The City also reports nonmajor governmental fund types:

Special Revenue: The City accounts for funds received or charged that are restricted by third parties in these accounts.

The City reports the following major enterprise funds:

Water and Wastewater Funds: These funds account for the revenues and expenses associated with providing water and sewer services to the citizens of the City.

Solid Waste Fund: This fund accounts for the revenues and expenses associated with providing solid waste service to the citizens of the City.

Municipal Golf Course: This fund accounts for the revenues and expenses associated with operating the municipal golf course as a service to the public.

Housing Program: This fund accounts for the revenues and expenses associated with the City operated housing assistance program.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Additionally, the City reports and Internal Service Fund which is used to account for workers' compensation insurance, property insurance, and health insurance provided to the departments of the city.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4  
September 30, 2022

Note A: Summary of Significant Accounting Policies--Continued

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 45 days after year-end. Revenues from local sources consist primarily of property taxes, franchise taxes, and gross receipts taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's enterprise funds are charges to customers for sales and services. The City 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 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 non-operating revenues and expenses.

c. Fund Balance Classification

Non-spendable: This classification includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain in-tact such as the principal of an endowment.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Currently, the City's restricted fund balances are made up of \$866,065 restricted for governmental activities (\$459,093 for grant projects; \$338,854 for tourism; \$68,118 other restricted). Additionally, there was \$68,997 restricted in the business-type funds (\$66,562 for HUD programs; \$2,435 for grant projects).

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City does not have any committed fund balances.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5  
September 30, 2022

Note A: Summary of Significant Accounting Policies (continued)

Unassigned: This classification includes the residual fund balance for the General Fund. Unassigned amounts are generally available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

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

The City reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Deposits and Investments

For purposes of the statement of cash flows, cash in bank, restricted cash, and certificates of deposit are considered to be cash equivalents.

Restricted Cash and Cash Equivalents consisted of funds restricted in the following business-type funds as of September 30, 2022.

Water Fund (grant projects) - \$764,258  
Solid Waste (Landfill Closure/Postclosure Reserves) - \$703,013  
Housing Program (HUD Program) - \$67,206

Investments for the City are reported at fair value.

b. Property Taxes

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

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of September 30, 2022, the amount deemed uncollectible by this estimate was \$267,940. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6  
September 30, 2022

Note A: Summary of Significant Accounting Policies (continued)

c. Inventories and Prepaid Items

Inventory is valued at the lower of FIFO cost (first in, first out) or market. Inventory in the Water and Wastewater Fund consists of supplies held for future use.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20-50
Buildings	20-50
Improvements other than buildings	20
Machinery and Equipment	5-10
Office Equipment and Furniture	5-10
Computer Equipment	3

e. Receivable and Payable Balances

Receivables as of year-end for the City's individual major funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Customer Accounts	\$ 8,039	\$ 394,728
Unbilled Revenue		591,456
Property Taxes	453,071	
Franchise Fees	106,097	
Hotel Occupancy Taxes	26,658	
Sales Tax	471,318	
Grants Receivable	88,854	290,753
Leases	-	49,897
Gross Receivables	\$ 1,154,037	\$ 1,326,834
Less: Allowance for Uncollectibles	(268,124)	(174,394)
Net Total Receivables	\$ 885,913	\$ 1,152,440



CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7  
September 30, 2022

Note A: Summary of Significant Accounting Policies (continued)

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

h. Compensated Absences

Compensated absences (general leave) for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid for any accrued general leave earned as set forth by personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8  
September 30, 2022

Note A: Summary of Significant Accounting Policies (continued)

i. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position 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. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

j. 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.

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9  
September 30, 2022

Note C: Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and restricted cash) was \$16,618,956 and the bank balance was \$16,516,880. The City's cash deposits at September 30 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10  
September 30, 2022

Note C: Deposits and Investments

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Note D: Due to Component Units

The City recorded a liability to the component units in the amount of \$154,290 for the pass through of sales taxes not paid as of September 30, 2022.

Note E: Water Rights and Related Debt with CRMWA

The City, along with several West Texas municipalities, entered into various contracts with the Canadian River Municipal Water Authority, to participate in the construction and maintenance of water gathering, holding, treatment, and transmission facilities. Under the agreements, CRMWA agreed to issue revenue bonds to finance construction and maintenance of the facilities, and the City agreed to pay their share of the total annual debt service requirements.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11  
September 30, 2022

Note E: Water Rights and Related Debt with CRMWA (continued)

The following schedules comprise the debt outstanding related to the CRMWA contracts as of September 30, 2022:

<u>Water Facilities Debt:</u>	Balance 10-01-21	Additions	Decreases	Balance 9-30-22
Series 2012, Refunding, BUREC	\$ 586,843	\$ -	\$ 586,843	\$ -
Series 2017, Refunding, CUP	187,321	-	23,569	163,752
Series 2020, Refunding, CUP	920,060	-	79,969	840,091
Series 2014, Refunding, CUP	363,539	-	60,159	303,380
Series 2021, Refunding, CUP	-	506,998	94,208	412,790
Total Capital Assets Not Being Depreciated	<u>\$ 2,057,763</u>	<u>\$ 506,998</u>	<u>\$ 844,748</u>	<u>\$ 1,720,013</u>

<u>Water Facilities Debt</u>	<u>Maturity</u>	<u>Interest Rates</u>
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2017	2029	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2020	2031	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2014	2027	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2021	2025	5.0%

The City paid \$108,467 in interest related to this debt for the year ended September 30, 2022.

Debt service requirements on CMRWA debt outstanding at September 30, 2022, are as follows:

Year Ending September 30,	<u>CMRWA</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 337,802	\$ 77,763	\$ 415,565
2024	353,288	60,952	414,240
2025	262,345	46,618	308,963
2026	198,416	35,880	234,296
2027	162,584	26,152	188,736
2028-2030	<u>405,578</u>	<u>39,275</u>	<u>444,853</u>
Total	<u>\$ 1,720,013</u>	<u>\$ 286,640</u>	<u>\$ 2,006,653</u>

Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt", provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements.

The CRMWA issued Subordinate Lien Contract Revenue Refunding Bonds, Series 2021. The City of Lamesa's portion was \$506,998 which was used for the advance refunding of the Series 2012 Refunding Bonds.

As a result of the advance refunding of principal maturities of the Series 2021 Revenue Bonds by the issuance of Series 2021 Refunding Bonds, the City decreased its total debt service requirements by \$28,862, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$28,421.

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12  
September 30, 2022

Note E: Water Rights and Related Debt with CRMWA (continued)

Investment in water facilities at cost as of September 30, 2022 is as follows:

Cost:	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/Other</u>	<u>Ending</u>
CRMWA – Water Rights	\$ 6,680,247	\$ -	\$ -	\$ 6,680,247
Accumulated Amortization:				
CRMWA – Water Rights	<u>(4,671,759)</u>	<u>(269,712)</u>	<u>-</u>	<u>(4,941,471)</u>
Net Investment in Water Facilities	<u>\$ 2,008,488</u>	<u>\$(269,712)</u>	<u>\$ -</u>	<u>\$ 1,738,776</u>

Note D: Capital Assets

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

<b>Governmental Activities:</b>	<u>Balance 10-01-21</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance 9-30-22</u>
Capital Assets Not Being Depreciated				
Land	\$ 14,988	\$ -	\$ -	\$ 14,988
Construction in Progress	-	150,659	-	150,659
Total Capital Assets Not Being Depreciated	<u>\$ 14,988</u>	<u>\$ 150,659</u>	<u>\$ -</u>	<u>\$ 165,647</u>
Depreciable Assets				
Buildings and Improvements	\$ 5,284,691	\$ 295,387	\$ -	\$ 5,580,078
Vehicles and Equipment	3,214,147	108,867	-	3,323,014
Machinery and Equipment	1,645,537	15,000	-	1,660,537
Total Capital Assets Being Depreciated	<u>\$ 10,144,375</u>	<u>\$ 419,254</u>	<u>\$ -</u>	<u>\$ 10,563,629</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,895,894	\$ 219,892	\$ -	\$ 2,115,786
Vehicles and Equipment	2,237,916	286,006	-	2,523,922
Machinery and Equipment	1,427,207	68,578	-	1,495,785
Total Accumulated Depreciation	<u>\$ 5,561,017</u>	<u>\$ 574,476</u>	<u>\$ -</u>	<u>\$ 6,135,493</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 4,583,358</u>	<u>\$(155,222)</u>	<u>\$ -</u>	<u>\$ 4,428,136</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,598,346</u>	<u>\$ (4,563)</u>	<u>\$ -</u>	<u>\$ 4,593,783</u>

Depreciation was charged to governmental activities as follows:

Administration	\$ 11,119
General Government	28,742
Tourism	12,273
Fire	84,606
Police	109,058
Vehicle Services	27,924
Streets	114,460
Parks and Recreation	186,294
	<u>\$ 574,476</u>

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13  
September 30, 2022

Note D: Capital Assets (continued)

<b>Business-Type Activities:</b>	<u>Balance 10-01-21</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance 9-30-22</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 369,238	\$ 16,944	\$ -	\$ 386,182
Construction in Progress	<u>1,056,939</u>	<u>9,505,420</u>	-	<u>10,562,359</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,426,177</u>	<u>\$ 9,522,364</u>	<u>\$ -</u>	<u>\$ 10,948,541</u>
<b>Depreciable Assets</b>				
Buildings and Improvements	\$ 2,653,637	\$ 28,260	\$ -	\$ 2,681,897
Improvements Other Than Buildings	10,628,246	477,258	-	11,105,504
Vehicles, Machinery and Equipment	9,625,117	197,389	(85,680)	9,736,826
Infrastructure	<u>6,816,494</u>	-	-	<u>6,816,494</u>
Total Capital Assets Being Depreciated	<u>\$ 29,723,494</u>	<u>\$ 702,907</u>	<u>\$ (85,680)</u>	<u>\$ 30,340,721</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	\$ 2,213,787	\$ 106,241	\$ -	\$ 2,320,028
Improvements Other Than Buildings	6,623,258	343,147	-	6,966,405
Vehicles, Machinery and Equipment	7,624,645	466,458	(85,680)	8,005,423
Infrastructure	<u>2,115,702</u>	<u>170,412</u>	-	<u>2,286,114</u>
Total Accumulated Depreciation	<u>\$ 18,577,392</u>	<u>\$ 1,086,258</u>	<u>\$ (85,680)</u>	<u>\$ 19,577,970</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 11,146,102</u>	<u>\$ (383,351)</u>	<u>\$ -</u>	<u>\$ 10,762,751</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,572,279</u>	<u>\$ 9,139,013</u>	<u>\$ -</u>	<u>\$ 21,711,292</u>

Note G: Leases Receivable

- a. The City, as lessor, has a lease agreement with a local businessman whereby a tract of land is being leased for agricultural purposes. The lease has an initial lease term of January 15, 2022 and terminates on December 31, 2026.

The agreed rent to be paid by the Tenant to the City is the sum of \$10,500 per year. Lease income of \$10,500 and interest income of \$0 was recognized for the fiscal year ending September 30, 2022. An interest rate of 4.25% is being used to amortize this lease.

Future rental payments due from the tenant at September 30, 2022 are as follows:

<u>Business-Type Activities:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2023	\$ 8,861	\$ 1,639	\$ 10,500
2024	9,245	1,255	10,500
2025	9,646	854	10,500
2026	<u>10,064</u>	<u>436</u>	<u>10,500</u>
Totals	<u>\$ 37,816</u>	<u>\$ 4,184</u>	<u>\$ 42,000</u>

CITY OF LAMESA  
Lamesa, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14  
September 30, 2022

Note G: Leases Receivable (continued)

- b. The City, as lessor, has a lease agreement with a communications company whereby a space on a water tank is being leased for placement of wireless communications equipment. The lease has an initial lease term of June 1, 2020 and terminates on May 31, 2025.

The agreed rent to be paid by the Tenant to the City is the sum of \$400 per month. Lease income of \$4,189 and interest income of \$611 was recognized for the fiscal year ending September 30, 2022. An interest rate of 4.25% is being used to amortize this lease.

Future rental payments due from the tenant at September 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Business-Type Activities:</u>			
Year Ending September 30,			
2023	\$ 4,371	\$ 429	\$ 4,800
2024	4,560	240	4,800
2025	<u>3,150</u>	<u>50</u>	<u>3,200</u>
Totals	<u>\$ 12,081</u>	<u>\$ 719</u>	<u>\$ 12,800</u>

Note G: Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. During each year while bonds are outstanding, the City is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The City complied with all significant limitations and restrictions contained in the bond indentures.

1. Changes in long-term obligations for the year ended September 30, 2022, are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Tax Notes	\$ 109,839	\$ 108,599	\$ 35,379	\$ 183,059	\$ 36,719
Direct Financings	237,009	-	175,966	61,043	61,043
Compensated Absences	<u>83,029</u>	<u>34,351</u>	<u>-</u>	<u>117,380</u>	<u>-</u>
Total governmental activities	<u>\$ 429,877</u>	<u>\$ 142,950</u>	<u>\$ 211,345</u>	<u>\$ 361,482</u>	<u>\$ 97,762</u>
<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 3,825,000	\$ -	\$ 100,000	\$ 3,725,000	\$ 100,000
Certificates of Obligation	125,000	6,910,000	125,000	6,910,000	125,000
Tax Notes	1,061,160	1,702,395	436,984	2,326,571	444,340
CRMWA Bonds	2,057,763	506,998	844,748	1,720,013	337,802
Bond Issuance Premium	376,120	34,419	55,498	355,041	-
Direct Financings	2,233,666	-	1,597,368	636,298	99,119
Compensated Absences	<u>77,562</u>	<u>-</u>	<u>489</u>	<u>77,073</u>	<u>-</u>
Total business-type activities	<u>\$ 9,756,271</u>	<u>\$ 9,153,812</u>	<u>\$ 3,160,087</u>	<u>\$ 15,749,996</u>	<u>\$ 1,106,261</u>



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Year Ended September 30, 2022

H. Long-Term Obligations (continued)

The maturity dates, and interest rates for tax notes, direct financings, general obligation bonds, and certificates of obligation are as follows:

	Interest Rate	Maturity	Amount Of Original Issue	Amount Outstanding 9/30/2022
<b><u>Governmental Activities:</u></b>				
<b><u>Tax Notes – Descriptions</u></b>				
Limited Tax Note, Series 2019	1.940%	10-15-2026	\$ 147,775	\$ 88,734
Tax Notes, Series 2022	2.989%	09-01-2029	108,599	94,325
				<u>\$ 183,059</u>
<b><u>Direct Financings - Descriptions</u></b>				
Public Property Finance Act Contract – 2018 Fire Truck	4.75%	02-15-2023	\$ 125,000	\$ 27,024
Public Property Finance Act Contract – 2 Police Vehicles	4.238%	02-05-2023	128,000	34,019
				<u>\$ 61,043</u>
<b><u>Business-Type Activities:</u></b>				
<b><u>General Obligation Bonds – Descriptions</u></b>				
General Obligation Refunding Bonds – Series 2019	3.00% to 4.00%	09-30-2046	3,925,000	\$ 3,725,000
<b><u>Certificates of Obligation – Descriptions</u></b>				
Tax and Revenue C.O. – Series 2021	1.7518%	02-01-2061	7,035,000	6,910,000
<b><u>Tax Notes – Descriptions</u></b>				
Limited Tax Note, Series 2019	1.940%	10-15-2026	\$ 1,461,225	\$ 857,265
Tax Notes, Series 2022	2.989%	09-01-2029	1,702,395	1,469,306
				<u>\$ 2,326,571</u>
<b><u>Direct Financings – Descriptions</u></b>				
Public Property Finance Act Contract – Mower	4.25%	10-15-2022	\$ 29,469	\$ 666
Public Property Finance Act Contract – Compactor	2.89%	05-26-2028	751,903	511,012
Public Property Finance Act Contract – Motor Grader	5.05%	09-01-2023	188,228	124,620
				<u>\$ 636,298</u>

2. Debt service requirements on the City's long-term debt, excluding CRMWA obligations, at September 30, 2022, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 97,762	\$ 7,266	\$ 105,028
2024	37,314	3,683	40,997
2025	35,802	2,784	38,586
2026	36,377	1,949	38,326
2027	13,787	1,101	14,888
2028-2029	23,060	965	24,025
	<u>\$ 244,102</u>	<u>\$ 17,748</u>	<u>\$ 261,850</u>

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 768,459	\$ 330,013	\$ 1,098,472
2024	868,283	307,071	1,175,354
2025	748,926	286,419	1,035,345
2026	763,090	267,912	1,031,002
2027	553,540	249,053	802,593
2028-2032	1,785,572	1,058,065	2,843,637
2033-2037	1,530,000	843,080	2,373,080
2038-2042	1,770,000	607,135	2,377,135
2043-2047	1,775,000	363,482	2,138,482
2048-2052	1,000,000	222,643	1,222,643
2053-2057	1,090,000	131,122	1,221,122
2058-2062	945,000	33,461	978,461
	<u>\$ 13,597,870</u>	<u>\$ 4,699,456</u>	<u>\$ 18,297,326</u>

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September 30, 2022

Note E: Interfund Balances and Activities

Interfund balances at September 30, 2022 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
<u>Business-Type Funds:</u>		
Municipal Golf Course	3,791	-
Housing Program	644	-
Water Fund	\$ -	1,135,489
<u>Total General Fund</u>	<u>4,435</u>	<u>1,135,489</u>
 <u>Business-Type Funds:</u>		
General Fund	1,135,489	4,435
Solid Waste Fund	75,000	-
Water Fund	-	75,000
Internal Service Fund	-	96,624
<u>Total Business-Type Funds</u>	<u>1,210,489</u>	<u>176,059</u>
 <u>Internal Service Fund:</u>		
<u>Business-Type Funds:</u>		
Municipal Golf Course	\$ 96,624	-
<u>Total Internal Service Fund</u>	<u>96,624</u>	<u>-</u>
 <u>Total</u>	 <u>\$ 1,311,548</u>	 <u>\$ 1,311,548</u>

These interfund receivables and payables arise out of the normal course of business. All balances are expected to be paid within one year.

Note F: Interfund Transfers

Interfund transfers for the year ended September 30, 2022 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
<u>Business-Type Funds</u>		
<u>Total General Fund</u>	<u>\$ 201,227</u>	<u>\$ -</u>
 <u>Special Revenue Funds:</u>		
<u>Business-Type Funds</u>	<u>\$ -</u>	<u>\$ 2,435</u>
<u>Total Special Revenue Funds</u>	<u>-</u>	<u>2,435</u>
 <u>Proprietary Funds:</u>		
General Fund	-	201,227
Special Revenue Funds	2,435	-
<u>Total</u>	<u>\$ 203,662</u>	<u>\$ 203,662</u>

These interfund transfers represent cash flow transfers between fund in the normal course of business.

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September 30, 2022

Note H: TMRS-Pension Plan

Plan Description

The City of Lamesa participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the administration and management of TMRS with a six-member Board of Trustees (Board) appointed by the Governor with the advice and consent of the Texas Senate. TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

Benefits Provided

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

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

	<u>Plan Year 2021</u>	<u>Plan Year 2020</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

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NOTES TO FINANCIAL STATEMENTS, Page 18  
September 30, 2022

Note H: TMRS-Pension Plan (continued)

*Employees covered by benefit terms*

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	106
Active employees	<u>85</u>
Total	250

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1-1/2 to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Lamesa were required to contribute 7% of their annual compensation during the fiscal year. The actuarially determined contribution rates for the City of Lamesa were 4.64% and 4.11% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$179,882, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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September 30, 2022

Note H: TMRS-Pension Plan (continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

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

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Note H: TMRS-Pension Plan (continued)

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

*Change in the Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/20	\$ 15,960,127	\$ 17,321,529	\$ (1,361,402)
Changes for the year:			
Service cost	452,541		452,541
Interest	1,042,383		1,042,383
Change of benefit terms			
Difference between expected and actual experience	(261,947)		(261,947)
Changes of assumptions			-
Contributions - employer		176,750	(176,750)
Contributions - employee		266,649	(266,649)
Net investment income		2,219,522	(2,219,522)
Benefit payments, including refunds of employee contributions	(1,017,454)	(1,017,454)	-
Administrative expense		(10,300)	10,300
Other changes	10,784	68	10,716
Net changes	<u>226,307</u>	<u>1,635,235</u>	<u>(1,408,928)</u>
Balance at 12/31/21	<u>\$ 16,186,434</u>	<u>\$ 18,956,764</u>	<u>\$ (2,770,330)</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) 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	\$ (997,196)	\$ (2,770,330)	\$ (4,255,303)