

CITY OF SHAMROCK, TEXAS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2024

CITY OF SHAMROCK, TEXAS

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Denise Foster C.P.A.
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Independent Auditor's Report

Mayor and City Council
City of Shamrock
116 West Second
Shamrock, Texas 79079

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 City of Shamrock, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Shamrock, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United State 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 Shamrock, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Required Supplementary Information, as listed in the table of contents, 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 District's basic financial statements. The supplementary information (as listed in the table of contents) and schedule of expenditures of federal awards (SEFA) as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2025, on our consideration of the City of Shamrock, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Shamrock, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Shamrock's internal control over financial reporting and compliance.



Foster, Lambert & Foard, LLC
February 18, 2025

CITY OF SHAMROCK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2024

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter; public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

Discretely Presented Unit

Shamrock Economic Development Corporation - The activities of the Shamrock Economic Development Corporation are included in the City's accompanying financial statements as a component unit. This Corporation is a separate nonprofit governmental unit administered by a five-member board and the City of Shamrock serves as fiscal agent for the corporation. The City exercises significant oversight in approving budgets, corporate records, and accounting records of the Corporation.

Overview of the Financial Statement

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, education, culture and recreation and sanitation. Business-type activities include water utilities, and solid waste management.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of these legally separate organizations operate like City departments or are governed by a board of trustees wholly comprised of the City's Mayor and Council.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

Governmental funds-Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds-The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Shamrock, Texas, assets exceeded liabilities by \$15,999,838 at the close of this fiscal year.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Current and other assets	\$ 3,915,749	\$ 2,322,727	\$ 889,795	\$ 1,707,362	\$ 4,805,544	\$ 4,030,089
Capital assets	<u>4,409,094</u>	<u>6,725,519</u>	<u>3,092,076</u>	<u>6,732,836</u>	<u>7,501,170</u>	<u>13,458,355</u>
Total assets	<u>8,324,843</u>	<u>9,048,246</u>	<u>3,981,871</u>	<u>8,440,198</u>	<u>12,306,714</u>	<u>17,488,444</u>
Deferred outflows	<u>146,212</u>	<u>123,608</u>	<u>113,432</u>	<u>86,009</u>	<u>259,644</u>	<u>209,617</u>
Long-term liabilities	380,405	311,207	718,218	3,031,524	1,098,623	3,342,731
Other liabilities	<u>39,831</u>	<u>103,185</u>	<u>173,400</u>	<u>582,258</u>	<u>213,231</u>	<u>685,443</u>
	<u>420,236</u>	<u>414,392</u>	<u>891,618</u>	<u>3,613,782</u>	<u>1,311,854</u>	<u>4,028,174</u>
Deferred inflows	<u>116,593</u>	<u>89,477</u>	<u>90,453</u>	<u>62,260</u>	<u>207,046</u>	<u>151,737</u>
Net position:						
Invested in capital assets	3,836,822	6,721,319	2,512,096	3,826,658	6,348,918	10,547,977
Restricted	1,373,602	628,884	-	-	1,373,602	628,884
Unrestricted	<u>2,723,802</u>	<u>1,317,782</u>	<u>601,136</u>	<u>1,023,507</u>	<u>3,324,938</u>	<u>2,341,289</u>
Total net position	<u>\$ 7,934,226</u>	<u>\$ 8,667,985</u>	<u>\$ 3,113,232</u>	<u>\$ 4,850,165</u>	<u>\$ 11,047,458</u>	<u>\$ 13,518,150</u>

Analysis of the City's Operations – Governmental and Business-type activities increased the City's net position by \$1,084,235. The key elements of this increase are as follows:

Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Revenues:						
Program revenues:						
Charges for services	\$ 386,036	\$ 408,705	\$ 1,240,591	\$ 1,213,150	\$ 1,626,627	\$ 1,621,855
Operating grants and contributions	13,179	13,000	68,899	1,175,517	82,078	1,188,517
Capital grants and contributions	179,000	949,200	-	-	179,000	949,200
General revenues:						
Property taxes	474,592	493,654	-	-	474,592	493,654
Sales taxes	379,132	385,513	-	-	379,132	385,513
Franchise taxes	50,129	48,217	-	-	50,129	48,217
Other taxes	271,873	248,963	-	-	271,873	248,963
Investment income	113,313	141,762	2,799	44,521	116,112	186,283
Other	224,537	1,278,292	-	-	224,537	1,278,292
Total revenues	<u>2,091,791</u>	<u>3,967,306</u>	<u>1,312,289</u>	<u>2,433,188</u>	<u>3,404,080</u>	<u>6,400,494</u>
Expenses:						
General government	450,634	2,195,541	-	-	450,634	2,195,541
Street	359,453	343,061	-	-	359,453	343,061
Public safety:						
Police	3,425	894	-	-	3,425	894
Fire	85,601	74,945	-	-	85,601	74,945
Sanitation	340,874	316,808	-	-	340,874	316,808
Park	41,165	38,388	-	-	41,165	38,388
Library	27,773	28,319	-	-	27,773	28,319
Cemetery	12,633	20,687	-	-	12,633	20,687
Airport	49,173	28,612	-	-	49,173	28,612
Shop	22,145	12,626	-	-	22,145	12,626
Tourism	129,687	142,073	-	-	129,687	142,073
Water	-	-	797,282	727,848	797,282	727,848
Total expenses	<u>1,522,563</u>	<u>3,201,954</u>	<u>797,282</u>	<u>727,848</u>	<u>2,319,845</u>	<u>3,929,802</u>
Increase (decrease) in net position before transfers	569,228	765,352	515,007	1,705,340	1,084,235	2,470,692
Transfers	31,211	(31,593)	(31,211)	31,593	-	-
Increase (decrease) in net position	600,439	733,759	483,796	1,736,933	1,084,235	2,470,692
Prior period adjustment	-	-	(4,686)	-	(4,686)	-
Net position – beginning	<u>7,333,787</u>	<u>7,934,226</u>	<u>2,634,122</u>	<u>3,113,232</u>	<u>9,967,909</u>	<u>11,047,458</u>
Net position – ending	<u>\$ 7,934,226</u>	<u>\$ 8,667,985</u>	<u>\$ 3,113,232</u>	<u>\$ 4,850,165</u>	<u>\$ 11,047,458</u>	<u>\$ 13,518,150</u>

Financial Analysis of the Government's Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$2,210,193. Of this amount, \$1,561,976 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds shows a decrease of \$1,664,457 over the prior year. This decrease is primarily the result of the events and programs described within the analysis of the City's governmental activities.

General Fund Budgetary Highlights

The general fund budget for fiscal year 2024 was approximately \$2,659,545.

The general fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Assets and Debt Administration

Capital Assets

The City’s investment in capital assets for its government-wide activities as of September 30, 2024, amounts to \$13,458,355 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements.

**Capital Assets at Year-end
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	\$ 500,698	\$ 500,698	\$ 112,863	\$ 112,863	\$ 613,561	\$ 613,561
Buildings & improvements	1,894,531	4,834,004	213,850	196,472	2,108,381	5,030,476
Vehicles	5,215	1,500	58,693	119,893	63,908	121,393
Infrastructure	692,106	666,311	987,424	1,013,886	1,679,530	1,680,197
Furniture	22,085	45,480	-	-	22,085	45,480
Equipment	749,035	673,326	118,954	101,575	867,989	774,901
Right-to-use leased assets	-	-	13,294	4,853	13,294	4,853
Construction in process	545,424	4,200	1,586,998	5,183,294	2,132,422	5,187,494
Totals	<u>\$ 4,409,094</u>	<u>\$ 6,725,519</u>	<u>\$ 3,092,076</u>	<u>\$ 6,732,836</u>	<u>\$ 7,501,170</u>	<u>\$ 13,458,355</u>

This year’s major additions included:

Governmental activities:	
Tables and chairs	\$ 30,735
Community building	2,501,559
Dumpsters	15,725
Business-type activities	
Vehicles	87,050
Water project	3,683,347

Debt

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Notes payable	\$ 26,848	\$ -	\$ -	\$ -	\$ 26,848	\$ -
Tax notes	-	-	562,000	453,000	562,000	453,000
Revenue bonds	-	-	-	2,444,000	-	2,444,000
Leases payable	-	-	17,980	9,178	17,980	9,178
Totals	<u>\$ 26,848</u>	<u>\$ -</u>	<u>\$ 579,980</u>	<u>\$ 2,906,178</u>	<u>\$ 606,828</u>	<u>\$ 2,906,178</u>

Economic Factors for Next Year

The City’s elected and appointed officials considered many factors when setting the fiscal-year 2023-2024 budget, and tax rates. The major source of City funds is state tax revenue, local property taxes, and franchise taxes. Our assessed value, for 2023, was \$84,767,230. Our tax rate is as follows:

M&O \$.577563

This compares with the tax rate of .563545 for the next fiscal year. The City has not added any major new programs or initiatives to the 2024-2024 budget and it is expected to be about the same as last year with the items noted above.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Shamrock, Texas, 116 West Second, Shamrock, Texas 79079.

CITY OF SHAMROCK, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government			Component Unit
	Governmental	Business-type	Total	Shamrock Economic Development Corporation
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 1,633,218	\$ 741,346	\$ 2,374,564	\$ 54,782
Investments	86,992	90,276	177,268	-
Receivables (net of allowances for uncollectibles)	293,032	576,922	869,954	31,627
Restricted assets:				
Cash and cash equivalents	290,152	298,818	588,970	-
Due from payroll fund				33,495
Inventories	19,333	-	19,333	
Capital assets (net of accumulated depreciation):				
Land	500,698	112,863	613,561	-
Buildings and improvements	4,834,004	196,472	5,030,476	-
Equipment	673,326	101,575	774,901	-
Infrastructure	666,311	1,013,886	1,680,197	-
Furniture	45,480	-	45,480	-
Vehicles	1,500	119,893	121,393	-
Construction in process	4,200	5,183,294	5,187,494	-
Right-to-use leased assets, net	-	4,853	4,853	
Other assets	-	-	-	1,231,875
Total assets	<u>9,048,246</u>	<u>8,440,198</u>	<u>17,488,444</u>	<u>1,351,779</u>
Deferred Outflows of Resources				
Pension-related outflows	121,833	84,774	206,607	27,168
OPEB-related outflows	1,775	1,235	3,010	396
Total deferred outflows of resources	<u>123,608</u>	<u>86,009</u>	<u>209,617</u>	<u>27,564</u>
Liabilities				
Accounts payable and other current liabilities	80,553	469,063	549,616	7,413
Due to component unit	22,632	-	22,632	-
Accrued interest payable	-	38,414	38,414	-
Tax notes payable - current	-	111,000	111,000	-
Lease payable - current	-	9,178	9,178	-
Notes payable - current	-	-	-	18,847
Revenue bonds - current	-	97,000	97,000	
Customer deposits-payable from restricted assets	-	113,195	113,195	-
Long-term liabilities				
Post closure	186,274	-	186,274	-
Tax notes payable	-	342,000	342,000	-
Lease payable	-	-	-	-
Notes payable	-	-	-	65,653
Revenue bonds payable	-	2,347,000	2,347,000	-
Net pension liability	87,466	60,861	148,327	19,505
Net OPEB liability	37,467	26,071	63,538	8,355
Total liabilities	<u>414,392</u>	<u>3,613,782</u>	<u>4,028,174</u>	<u>119,773</u>
Deferred Inflows of Resources				
Pension-related inflows	85,767	59,679	145,446	19,126
OPEB-related inflows	3,710	2,581	6,291	827
Total deferred inflows of resources	<u>89,477</u>	<u>62,260</u>	<u>151,737</u>	<u>19,953</u>
Net Position				
Net investment in capital assets	6,721,319	3,923,658	10,644,977	-
Restricted for:				
Street Maintenance	200,942	-	200,942	-
Tourism Development	350,031	-	350,031	-
Capital projects	76,819	-	76,819	-
Volunteer Fire Department	1,092	-	1,092	-
Unrestricted	1,317,782	926,507	2,244,289	1,239,617
Total net position	<u>\$ 8,667,985</u>	<u>\$ 4,850,165</u>	<u>\$ 13,518,150</u>	<u>\$ 1,239,617</u>

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,195,541	\$ 10,200	\$ -	\$ 949,200
Street	343,061	9,270	-	-
Public safety:				
Police	894	-	-	-
Fire	74,945	-	13,000	-
Dispatch	-	-	-	-
Sanitation	316,808	384,698	-	-
Park	38,388	4,537	-	-
Library	28,319	-	-	-
Cemetery	20,687	-	-	-
Airport	28,612	-	-	-
Shop	12,626	-	-	-
Tourism	142,073	-	-	-
Interest on long-term debt	-	-	-	-
Total governmental activities	<u>3,201,954</u>	<u>408,705</u>	<u>13,000</u>	<u>949,200</u>
Business-type activities:				
Water and sewer	<u>727,848</u>	<u>1,213,150</u>	<u>-</u>	<u>1,175,517</u>
Total business-type activities	<u>727,848</u>	<u>1,213,150</u>	<u>-</u>	<u>1,175,517</u>
Total primary government	<u>\$ 3,929,802</u>	<u>\$ 1,621,855</u>	<u>\$ 13,000</u>	<u>\$ 2,124,717</u>
Component Unit				
Economic Development	<u>\$ 164,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Sales taxes
Franchise taxes
Other taxes
Insurance proceeds
Miscellaneous revenues
Unrestricted investment earnings
Transfers
Total general revenues and transfers
Change in net assets
Net position - October 1
Net position - September 30

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development
\$ (1,236,141)	\$ -	\$ (1,236,141)	\$ -
(333,791)	-	(333,791)	-
(894)	-	(894)	-
(61,945)	-	(61,945)	-
-	-	-	-
67,890	-	67,890	-
(33,851)	-	(33,851)	-
(28,319)	-	(28,319)	-
(20,687)	-	(20,687)	-
(28,612)	-	(28,612)	-
(12,626)	-	(12,626)	-
(142,073)	-	(142,073)	-
-	-	-	-
<u>(1,831,049)</u>	<u>-</u>	<u>(1,831,049)</u>	<u>-</u>
-	1,660,819	1,660,819	-
-	1,660,819	1,660,819	-
<u>(1,831,049)</u>	<u>1,660,819</u>	<u>(170,230)</u>	<u>-</u>
-	-	-	<u>(164,302)</u>
493,654	-	493,654	-
385,513	-	385,513	148,483
48,217	-	48,217	-
248,963	-	248,963	-
1,226,047	-	1,226,047	-
52,245	-	52,245	31,169
141,762	44,521	186,283	1,140
(31,593)	31,593	-	-
<u>2,564,808</u>	<u>76,114</u>	<u>2,640,922</u>	<u>180,792</u>
733,759	1,736,933	2,470,692	16,490
7,934,226	3,113,232	11,047,458	1,223,127
<u>\$ 8,667,985</u>	<u>\$ 4,850,165</u>	<u>\$ 13,518,150</u>	<u>\$ 1,239,617</u>

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2024

	General Fund	Hotel Occupancy Tax Fund	Capital Projects	Total Government Funds
ASSETS				
Cash and cash equivalents	\$ 1,368,394	\$ 264,824	\$ -	\$ 1,633,218
Investments	86,992	-	-	86,992
Receivables (net of allowances for uncollectibles)	207,010	86,022	0	293,032
Restricted assets:				
Cash and cash equivalents	203,433	-	86,719	290,152
Due from component unit	11,565	-	-	11,565
Inventory	19,333	-	-	19,333
 Total assets	<u>\$ 1,896,727</u>	<u>\$ 350,846</u>	<u>\$ 86,719</u>	<u>\$ 2,334,292</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	69,838	815	9,900	80,553
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	43,546	-	-	43,546
Fund balances:				
Nonspendable:				
Inventories	19,333	-	-	19,333
Restricted for:				
Tourism	-	350,031	-	350,031
Volunteer Fire Department	1,092	-	-	1,092
Street Maintenance	200,942	-	-	200,942
Capital projects	-	-	76,819	76,819
Unassigned	1,561,976	-	-	1,561,976
Total fund balances	<u>1,783,343</u>	<u>350,031</u>	<u>76,819</u>	<u>2,210,193</u>
 Total liabilities and fund balances	<u>\$ 1,896,727</u>	<u>\$ 350,846</u>	<u>\$ 86,719</u>	<u>\$ 2,334,292</u>

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds \$ 2,210,193

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. Capital assets at year-end consist of:

Gross capital assets	\$ 12,618,187	
Related accumulated depreciation	<u>(5,892,668)</u>	6,725,519

The City's net pension liability and related deferred outflows and inflows related to its proportionate share of TMRS pension plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:

Deferred outflows - pension related items	121,833	
Deferred inflows - pension related items	(85,767)	
Net pension liability	(87,466)	
Deferred outflows - OPEB related items	1,775	
Deferred inflows - OPEB related items	(3,710)	
Net pension liability - OPEB	<u>(37,467)</u>	(90,802)

Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Due to component unit	(34,197)	
Post closure	<u>(186,274)</u>	(220,471)

Property tax and fines receivable are not available to pay for current period expenditures and therefore are deferred in the funds. 43,546

Net Position of Governmental Activities \$ 8,667,985

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Hotel Occupancy Tax Fund	Capital Projects	Government Funds
Revenues				
Taxes:				
Property	\$ 485,573	\$ -	\$ -	\$ 485,573
Sales	385,513	-	-	385,513
Franchise	48,217	-	-	48,217
Other	8,050	240,913	-	248,963
Charges for services	408,705	-	-	408,705
Contributions and donations	13,000	-	-	13,000
Interest income	103,277	23,042	15,443	141,762
Other income	52,245	-	-	52,245
Total revenues	<u>1,504,580</u>	<u>263,955</u>	<u>15,443</u>	<u>1,783,978</u>
Expenditures				
Current:				
General government	2,599,771	-	1,683,701	4,283,472
Street	348,278	-	-	348,278
Public safety:				
Police	-	-	-	-
Fire	42,126	-	-	42,126
Sanitation	258,865	-	-	258,865
Culture and recreation:				
Park	36,485	-	-	36,485
Library	27,320	-	-	27,320
Cemetery	19,487	-	-	19,487
Airport	19,942	-	-	19,942
Shop	12,626	-	-	12,626
Conservation and development				
Tourism development	-	504,726	-	504,726
Debt service:				
Principal	26,848	-	-	26,848
Interest	198	-	-	198
Capital outlay	18,201	-	-	18,201
Total expenditures	<u>3,410,147</u>	<u>504,726</u>	<u>1,683,701</u>	<u>5,598,574</u>
Excess of revenues over (under) expenditures	<u>(1,905,567)</u>	<u>(240,771)</u>	<u>(1,668,258)</u>	<u>(3,814,596)</u>
Other financing sources (uses)				
Capital grants and contributions	-	-	949,200	949,200
Insurance recovery	1,226,047	-	-	1,226,047
Operating transfers (net)	(170,207)	(1)	145,100	(25,108)
Total other financing sources (uses)	<u>1,055,840</u>	<u>(1)</u>	<u>1,094,300</u>	<u>2,150,139</u>
Net change in fund balance	(849,727)	(240,772)	(573,958)	(1,664,457)
Fund balance - October 1	<u>2,633,070</u>	<u>590,803</u>	<u>650,777</u>	<u>3,874,650</u>
Fund balance - September 30	<u>\$ 1,783,343</u>	<u>\$ 350,031</u>	<u>\$ 76,819</u>	<u>\$ 2,210,193</u>

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2024

Total net change in fund balances - governmental funds \$ (1,664,457)

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 2,548,019	
Depreciation expense for the year	<u>(231,594)</u>	2,316,425

The City participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year. 50,851

The City participates in an OPEB plan through TMRS. Contributions to the plan are expenditures at the fund level when payments are due. At the government wide level, OPEB expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year. 5,845

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year long-term debt principal payments are summarized as follows:

Post closure	(9,834)	
Notes payable	<u>26,848</u>	17,014

Because property tax receivables will not be collected for several months after the County's fiscal year ends, they are not considered 'available' revenues and are deferred in the government funds. Unearned revenues increased by this amount this year. 8,081

Change in net position of governmental activities \$ 733,759

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 475,500	\$ 475,500	\$ 485,573	\$ 10,073
Sales	340,000	340,000	385,513	45,513
Franchise	50,500	50,500	48,217	(2,283)
Other	6,000	6,000	8,050	2,050
Charges for services	388,100	388,100	408,705	20,605
Contributions and donations	13,000	13,000	13,000	-
Interest income	5,000	5,000	103,277	98,277
Other income	55,048	55,048	52,245	(2,803)
Total revenues	1,333,148	1,333,148	1,504,580	171,432
Expenditures				
Current:				
General government	1,846,251	1,711,151	2,599,771	(888,620)
Street	331,800	402,544	348,278	54,266
Public safety:				
Police	1,000	1,000	-	1,000
Fire	45,200	45,200	42,126	3,074
Sanitation	276,750	276,750	258,865	17,885
Culture and recreation:				
Park	51,300	51,300	36,485	14,815
Library	28,200	28,200	27,320	880
Cemetery	26,200	26,200	19,487	6,713
Airport	25,200	25,200	19,942	5,258
Shop	22,000	22,000	12,626	9,374
Debt service:				
Principal	49,800	49,800	26,848	22,952
Interest	200	200	198	2
Capital outlay	20,000	20,000	18,201	1,799
Total expenditures	2,723,901	2,659,545	3,410,147	(750,602)
Excess of revenues over expenditures	(1,390,753)	(1,326,397)	(1,905,567)	(579,170)
Other financing sources (uses)				
Capital contributions	-	-	-	-
Insurance recovery	1,431,111	1,431,111	1,226,047	(205,064)
Operating transfers (net)	15,000	15,000	(170,207)	(185,207)
Total other financing sources (uses)	1,446,111	1,446,111	1,055,840	(390,271)
Net change in fund balance	55,358	119,714	(849,727)	(969,441)
Fund balance - October 1	2,633,070	2,633,070	2,633,070	-
Fund balance - September 30	\$ 2,688,428	\$ 2,752,784	\$ 1,783,343	\$ (969,441)

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2024

	Water and Sewer Fund
	<u>2024</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 741,346
Investments	90,276
Accounts receivable (net of allowance for uncollectible)	576,922
Total current assets	<u>1,408,544</u>
Noncurrent assets:	
Restricted cash and cash equivalents	<u>298,818</u>
Capital assets:	
Land	112,863
Buildings and improvements	2,542,481
Equipment	677,316
Vehicles	260,488
Construction in process	5,183,294
Right of Use Asset	4,853
Infrastructure	2,154,534
Less accumulated depreciation and amortization	<u>(4,202,993)</u>
Total capital assets (net of accumulated depreciation)	<u>6,732,836</u>
Total noncurrent assets	<u>7,031,654</u>
Total assets	<u>8,440,198</u>
Deferred Outflows of Resources	
Pension-related outflows	84,774
OPEB-related outflows	1,235
Total deferred outflows of resources	<u>86,009</u>
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	469,063
Tax notes payable	111,000
Revenue bonds payable	97,000
Lease payable	9,178
Total current liabilities	<u>686,241</u>
Current liabilities payable from restricted assets:	
Customer deposits-payable from restricted assets	<u>113,195</u>
Noncurrent liabilities:	
Net pension liability	60,861
Tax notes payable	342,000
Revenue bonds payable	2,347,000
OPEB liability	26,071
Total noncurrent liabilities	<u>2,775,932</u>
Total liabilities	<u>3,575,368</u>
Deferred Inflows of Resources	
Pension-related inflows	59,679
OPEB-related inflows	2,581
Total deferred inflows of resources	<u>62,260</u>
Net Position	
Net Investment in capital assets	3,923,658
Unrestricted	926,507
Total net position	<u>\$ 4,850,165</u>

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-type Activities - Enterprise Fund
	2024
Operating revenues:	
Charges for sales and services:	
Water	\$ 923,841
Sewer and refuse	269,069
Rents	20,240
Total operating revenues	1,213,150
Operating expenses:	
Payroll costs	240,770
Employee benefits	47,254
Maintenance and repairs	97,107
Supplies	6,284
Purchased services	65,684
Insurance	52,000
Depreciation and amortization	138,183
Miscellaneous	35,182
Total operating expenses	682,464
Operating income	530,686
Non-operating revenues (expenses):	
Interest income	44,521
Interest expense	(45,384)
Total non-operating revenues (expenses)	(863)
Income before contributions and transfers	529,823
Contributions and operating transfers:	
Capital contributions	1,175,517
Operating transfers (net)	31,593
Net contributions and operating transfers	1,207,110
Change in net assets	1,736,933
Total net position - October 1	3,113,232
Total net position - September 30	\$ 4,850,165

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Proprietary Fund Type Water & Sewer <u>2024</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 734,751
Payments to suppliers	148,286
Payments to employees	(339,269)
Net cash provided by operating activities	<u>543,768</u>
Cash flows provided by noncapital financing activities	
Capital contributions	13,112
Operating transfers	31,593
Net cash (used) by noncapital and related financing activities	<u>44,705</u>
Cash flows from capital and related financing activities	
Purchase of equipment	(2,616,538)
Principal paid on long-term debt	(117,802)
Revenue bond proceeds	2,444,000
Interest paid on debt	(7,801)
Net cash (used) by capital and related financing activities	<u>(298,141)</u>
Cash flows from investing activities	
Customer deposits	4,315
Interest on investments	44,521
Net cash provided by investing activities	<u>48,836</u>
Net increase in cash and cash equivalents	339,168
Cash and cash equivalents at beginning of year	<u>791,272</u>
Cash and cash equivalents at end of year	<u>\$ 1,130,440</u>

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Proprietary Fund Type Water & Sewer <hr/> 2024 <hr/>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 530,686
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	138,183
(Increase) decrease in current assets:	
Accounts receivable	(478,399)
Deferred outflows of resources	27,423
Increase (decrease) in current liabilities:	
Accounts payable	404,543
Deferred inflows of resources	(28,193)
Net pension liability	(51,157)
Net OPEB liability	682
Net cash provided by operating activities	<u>\$ 543,768</u>

The accompanying notes are an integral part of this statement.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

A. Summary of Significant Accounting Policies

The financial statements of the City of Shamrock, Texas, (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Shamrock (primary government) and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of its operational and financial relationship with the City. Each of the City's component units has a September 30th year-end.

Discretely Presented Component Units

Shamrock Economic Development Corporation - The activities of the Shamrock Economic Development Corporation are included in the City's accompanying financial statements as a component unit. This Corporation is a separate nonprofit governmental unit administered by a five-member board appointed by the City Council. The City exercises significant oversight in approving budgets, corporate records, and accounting records of the Corporation.

Further financial information for the City's component units can be obtained from the City's Administrative Offices.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts all financial resources of the general government except for those required to be accounted for in other funds.

The government reports the following major proprietary fund:

Enterprise Fund is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. 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 where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Other Fund Types

Fiduciary fund is used to account for the revolving loan fund providing financing for civic development projects for the benefit of individuals, private organizations or other governments.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

B. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash in the general and water and sewer funds is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Restricted assets

Restricted assets in the Water and Sewer Fund, Nonexpendable Trust Fund, and Capital Projects Fund are held for specific purposes in accordance with legal restrictions.

4. Capital Assets

Capital assets, which include land, buildings, equipment, improvements purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. A capitalization threshold of \$1,000 is used for all capital assets.

GASB 34 requires infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be capitalized and depreciated. The City has determined that the net value of infrastructure assets at October 1, 2003, would be immaterial to the government-wide financial statements. The City has elected not to include infrastructure assets as required by GASB 34 prior to October 1, 2003, but to record all subsequent additions.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings and improvements	15-40
Equipment and furniture	3-15
Infrastructure	15-40
Vehicles	15-40

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

5. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spend for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

6. Reclassifications

Certain amounts presented in the prior year data would have to be reclassified in order to be consistent with the current year's presentation.

7. Inventory

Inventories include fuel and are stated at cost on a first in, first out basis.

8. Compensated Absences

The City allows employees to accumulate unused sick leave to a maximum of 90 days. Accumulated sick leave benefits do not vest and are not paid on termination. Accumulated earned vacation does not accumulate or carryover from one year to the next and is paid on termination.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

C. Stewardship, Compliance, and Accountability

1. Budgetary Information

The official budget was prepared for adoption for the General Fund. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

D. Detailed Notes on All Funds

Cash includes demand deposits. The City is authorized to invest its funds under State law in obligations of the United States or its agencies, the State of Texas or its agencies, other obligations which are unconditionally guaranteed by the State of Texas or the United States, obligations of other governmental agencies with a bond rating of not less than AA or its equivalent, and certificates of deposit that are insured by Federal depository insurance and fully collateralized direct repurchase agreements. During the year ended September 30, 2024, the City did not own any investments other than those permitted by statute.

The City's bank deposits at September 30, 2024, were fully collateralized by federal deposit insurance coverage.

For purposes of the statements of cash flows, investments with an original maturity of three months or less when purchased are considered cash equivalents.

Deposits of the City can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security from any one individual issuer will be minimized. At year-end, the City was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits 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 of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the City's name. At year-end, the City was not significantly exposed to custodial credit risk.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

- Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and class of security. At year-end, the City was not significantly exposed to concentration of credit risk related to deposits and investments.

- Interest rate risk is the risk of interest rates changes adversely affecting the fair value of an investment.

The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City’s policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the City was not exposed to interest rate risk.

The City's investments at September 30, 2024, are shown below.

<u>Investments</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Primary Government Certificates of Deposit	<u>\$ 177,268</u>	<u>\$ 177,268</u>

E. Receivables

Primary Government

Receivables at September 30, 2024, consist of the following:

	<u>General Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
Taxes and assessments	\$ 262,461	\$ -	\$ 262,461
Fire dept donations	56,217	-	56,217
Customer-trade	<u>20,415</u>	<u>591,469</u>	<u>611,884</u>
 Gross receivables	 339,093	 591,469	 930,562
Less: Allowance for uncollectible accounts	<u>46,061</u>	<u>14,547</u>	<u>60,608</u>
 Net total receivables	 <u>\$ 293,032</u>	 <u>\$ 576,922</u>	 <u>\$ 869,954</u>

Discretely Presented Component Unit

Shamrock Economic Development Corporation receivables at September 30, 2024, consist of the following:

Taxes and assessments	\$ 26,827
Loans	<u>4,800</u>
 Net total receivables	 <u>\$ 31,627</u>

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

F. Property Taxes

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

The City is permitted by state law to levy taxes for general governmental services, and the payment of principal and interest on long-term debt. The tax rates to finance general governmental services for the year ended September 30, 2024, was \$.577563 per \$100 valuation.

G. Restricted Assets

Restricted assets in the Water and Sewer Fund and Nonexpendable Trust Fund, held for specific purposes in accordance with legal restrictions, are comprised of the following:

<u>Water and Sewer Fund:</u>	
For customer deposits and landfill	\$ 187,239
Water project	111,579
 <u>General Fund:</u>	
Seal Coating	200,942
Sanitation tax fund	1,399
Capital projects	86,719
Fire equipment	<u>1,092</u>
 Total restricted assets	 <u>\$ 588,970</u>

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

H. Plant, Equipment, and Depreciation

Activity for the year ended September 30, 2024, is as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 500,698	\$ -	\$ -	\$ 500,698
Capital assets, being depreciated:				
Buildings and improvements	3,687,817	3,042,783	-	6,730,600
Furniture	118,475	30,735	-	149,210
Equipment	2,564,334	15,725	-	2,580,059
Infrastructure	1,876,890	-	-	1,876,890
Construction in process	545,424	-	541,224	4,200
Vehicles	776,530	-	-	776,530
Total capital assets, being depreciated:	<u>9,569,470</u>	<u>3,089,243</u>	<u>541,224</u>	<u>12,117,489</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,793,286)	(103,310)	-	(1,896,596)
Furniture	(96,390)	(7,340)	-	(103,730)
Equipment	(1,815,299)	(91,434)	-	(1,906,733)
Infrastructure	(1,184,784)	(25,795)	-	(1,210,579)
Vehicles	(771,315)	(3,715)	-	(775,030)
Total accumulated depreciation	<u>(5,661,074)</u>	<u>(231,594)</u>	<u>-</u>	<u>(5,892,668)</u>
Total capital assets, being depreciated, net	<u>3,908,396</u>	<u>2,857,649</u>	<u>541,224</u>	<u>6,224,821</u>
Governmental activities capital assets, net	<u>\$ 4,409,094</u>	<u>\$ 2,857,649</u>	<u>\$ 541,224</u>	<u>\$ 6,725,519</u>

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

Business-type activities:

Capital assets, not being depreciated:

Land	\$ <u>112,863</u>	\$ _____	\$ _____	\$ <u>112,863</u>
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Capital assets, being depreciated:

Building and systems	2,542,481	-	-	2,542,481
Equipment	677,316	-	-	677,316
Infrastructure	2,058,937	95,597	-	2,154,534
Construction in process	1,586,998	3,596,296	-	5,183,294
Right-to-use leased assets	41,406	-	-	41,406
Vehicles	<u>173,438</u>	<u>87,050</u>	-	<u>260,488</u>
Total capital assets, being depreciated:	<u>7,080,576</u>	<u>3,778,943</u>	-	<u>10,859,519</u>

Less accumulated depreciation for:

Building and systems	(2,328,631)	(17,378)	-	(2,346,009)
Equipment	(558,362)	(17,379)	-	(575,741)
Infrastructure	(1,071,513)	(69,135)	-	(1,140,648)
Right-to-use leased assets	(28,112)	(8,441)	-	(36,553)
Vehicles	<u>(114,745)</u>	<u>(25,850)</u>	-	<u>(140,595)</u>
Total accumulated depreciation	<u>(4,101,363)</u>	<u>(138,183)</u>	-	<u>(4,239,546)</u>

Total capital assets, being depreciated, net

	<u>2,979,213</u>	<u>3,640,760</u>	-	<u>6,619,973</u>
Business-type activities capital assets, net	<u>\$ 3,092,076</u>	<u>\$ 3,640,760</u>	<u>\$ _____</u>	<u>\$ 6,732,836</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 105,666
Street	19,481
Police	894
Fire	32,819
Park	1,903
Library	999
Sanitation	59,962
Airport	8,670
Cemetery	<u>1,200</u>
Total governmental activities	<u>\$ 231,594</u>

Business-type activities:

Water and sewer	<u>\$ 138,183</u>
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CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

I. Long-Term Debt

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2024:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental activities:</u>					
Notes payable	\$ 26,848	\$ -	\$ 26,848	\$ -	\$ -
<u>Business-type activities:</u>					
Lease payable	\$ 17,980	\$ -	\$ 8,802	\$ 9,178	\$ 9,178
Revenue bonds	\$ -	\$ 2,444,000	\$ -	\$ 2,444,000	\$ 97,000
Tax notes	\$ 562,000	\$ -	\$ 109,000	\$ 453,000	\$ 111,000
<u>EDC:</u>					
Notes payable	\$ 102,745	\$ -	\$ 18,245	\$ 84,500	\$ 18,847

The City has a line of credit of \$200,000 which renewed on July 1, 2024 and matures July 1, 2025. The principal plus interest at a rate of 10.5% is due at maturity. At September 30, 2024, the City did not owe anything on the line of credit and did not borrow against it during the year.

The EDC purchased 136.76 acres on December 21, 2021 for \$180,051. They paid \$46,769 down and the seller financed \$133,282. The loan is due in 84 monthly payments of \$1,776 including principal and interest at 3.25%. The balance at September 30, 2024 is \$84,500.

The annual requirements to pay principal and interest on EDC's notes payable at September 30, 2024 are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 18,847	\$ 2,467	\$ 21,314
2026	19,469	1,845	21,314
2027	20,111	1,203	21,314
2028	20,774	540	21,314
2028	<u>5,299</u>	<u>29</u>	<u>5,328</u>
Total	<u>\$ 84,500</u>	<u>\$ 6,084</u>	<u>\$ 90,584</u>

Right-To-Use Lease Liabilities:

The City purchased a 2018 VacTron Truck on a lease/purchase agreement contract dated March 16, 2020, in the amount of \$41,500. The contract is to be paid in 5 annual payments of \$9,372, including both principal and interest, with the first payment March 16, 2021, and the final payment due March 16, 2025. The loan carries an interest rate of 4.19% per annum. The balance at September 30, 2024 is \$9,178.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

Debt service requirements on the right-to-use lease liabilities payable at September 30, 2024 are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	<u>\$ 9,178</u>	<u>\$ 194</u>	<u>\$ 9,372</u>

As noted in Note H, the City's gross capital assets under right-to-use leases was \$41,406 as of September 30, 2024. The accumulated depreciation on these assets was \$36,553, leaving a net book value of \$4,853 as of September 30, 2024.

Tax Notes:

The City issued the City of Shamrock, Texas Tax Notes, Series 2021, in the amount of \$775,000 in April 2021, to be used to finance the costs incurred by the Issuer in connection with acquiring, constructing, installing and equipping additions, improvements, extensions, and equipment for the Issuer's sewer system. The certificates are to be repaid over 7 years with the first installment due February 2022. The annual principal installments begin with the first installment of \$105,000 and varied to a final principal installment of \$116,000. Each annual principal installment is plus accrued interest. The interest rate ranges from 1% to 1.6% per annum. The balance at September 30, 2024 is \$453,000. The City must establish a debt service reserve fund equal to at least one annual loan installment.

The annual requirements to pay principal and interest on the City's tax notes at September 30, 2024 are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 111,000	\$ 5,855	\$ 116,855
2026	112,000	4,350	116,350
2027	114,000	2,711	116,711
2028	<u>116,000</u>	<u>928</u>	<u>116,928</u>
Total	<u>\$ 453,000</u>	<u>\$ 13,844</u>	<u>\$ 466,844</u>

Revenue Bonds:

The City issued the City of Shamrock, Texas Water and Sewer System Revenue Bonds, Taxable Series 2024A, in the amount of \$4,848,000 in February 2024, to be used to finance the costs incurred by the Issuer in connection with constructing, installing, acquiring and equipping additions, extensions and improvements to the Issuer's System. The bonds are to be repaid over 39 years with the first installment due August 2025. The annual principal installments begin with the first installment of \$97,000 and varied to a final principal installment of \$156,000. Each annual principal installment is plus accrued interest. The interest rate is 1.250% per annum. The balance at September 30, 2024 is \$2,444,000. The City must establish an interest and sinking fund. The City conveys to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to 100% of the amount required to fully pay the interest on and the principal of the First Lien Obligations then coming due and payable.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

The annual requirements to pay principal and interest on the City's revenue bonds at September 30, 2024 are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 97,000	\$ 60,517	\$ 157,517
2026	98,000	59,387	157,387
2027	100,000	58,163	158,163
2028	101,000	56,991	157,991
2029	102,000	55,573	157,573
2030-34	530,000	258,802	788,802
2035-39	564,000	224,839	788,839
2040-44	601,000	188,712	789,712
2045-49	639,000	150,107	789,107
2050-54	680,000	109,202	789,202
2055-59	724,000	65,627	789,627
2060-63	<u>612,000</u>	<u>19,253</u>	<u>631,253</u>
Total	<u>\$ 4,848,000</u>	<u>\$ 1,307,173</u>	<u>\$ 6,155,173</u>

J. Pension Plan

Plan Description

The City of Shamrock participates as one of 936 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

Plan provisions for the City of Shamrock were as follows:

Deposit rate:	5%
Matching ratio (to employee)	1 to 1
A member is vested after:	5 years
Service retirement eligibility	60/5, 0/20
Updated service credit	100% Repeating
Annuity increase (no retirees)	70% of CPI Repeating

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>16</u>
Total	42

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Shamrock were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Shamrock were 10.23% and 7.01% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$55,220, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table use 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, health 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 is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major class asset are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.75%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public & Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

Discount Rate

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

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

	Total Pension <u>Liability</u> (a)	Plan Fiduciary <u>Net Position</u> (b)	Net Pension <u>Liability</u> (a) – (b)
Balance at 12/31/22	\$ 2,226,835	\$ 1,937,593	\$ 289,242
Changes for the year:			
Service cost	52,092		52,092
Interest	147,229		147,229
Change of benefit terms	-		-
Difference between expected and actual experience	29,708		29,708
Changes of assumptions	(40,576)		(40,576)
Contributions – employer		56,158	(56,158)
Contributions – employee		31,764	(31,764)
Net investment income		223,380	(223,380)
Benefit payments, including refunds of employee Contributions	(143,432)	(143,432)	-
Administrative expense		(1,427)	1,427
Other changes	-	(11)	11
Net changes	<u>45,021</u>	<u>166,432</u>	<u>(121,411)</u>
Balance at 12/31/2023	<u>\$ 2,271,856</u>	<u>\$ 2,104,025</u>	<u>\$ 167,831</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 <u>Discount Rate (5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase in <u>Discount Rate (7.75%)</u>
City's net pension liability	\$ 408,923	\$ 167,831	\$ (35,735)

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

For the year ended September 30, 2024, the City recognized pension expense of \$(58,461).

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual economic experience	\$ 16,735	\$ 13,633
Changes in actuarial assumptions	-	22,857
Difference between projected and actual investment earnings	185,364	128,082
Contributions subsequent to the measurement date	<u>31,676</u>	<u>-</u>
Total	<u>\$ 233,775</u>	<u>\$ 164,572</u>

\$31,676 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

Year ended September 30:	
2025	\$ (3,738)
2026	16,512
2027	43,269
2025	<u>(18,516)</u>
Total	<u>\$ 37,527</u>

K. Defined Other Post Employment Benefit Plan:

Plan Description

The City of Shamrock participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). The SDBF is considered to be a single-employer plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits Provided

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

Employees covered by benefit terms:

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>16</u>
Total	<u>29</u>

Contributions

The contribution rates for SDBF for the City of Shamrock were .96% and 1.39% in calendar years 2024 and 2023, respectively. The City’s contributions to SDBF for the year ended September 30, 2024, were \$7,479, and were equal to the required contributions.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

Actuarial Assumptions

The OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.6% to 11.5% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	\$-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
 Mortality rates – service retirees	 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
 Mortality rates – disabled retirees	 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Discount Rate

The discount rate used to measure the OPEB Liability was 3.77%. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the contributing employers are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2023

Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate <u>(2.77%)</u>	Discount Rate <u>(3.77%)</u>	1% Increase in Discount Rate <u>(4.77%)</u>
City's OPEB liability	\$ 81,784	\$ 71,893	\$ 63,813

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2022	\$ <u>65,558</u>
Changes for the year:	
Service cost	2,605
Interest on Total OPEB Liability	2,570
Change of benefit terms	-
Difference between expected and actual experience	4,793
Changes of assumptions or other inputs	3,164
Benefit payments*	<u>(6,797)</u>
Net changes	<u>6,335</u>
Balance at 12/31/2023	<u>\$ 71,893</u>

*Due to the SDBF being considered an unfunded OPEB plan under GASB 78, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$(9,682).

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 3,107
Changes in actuarial assumptions	-	4,011
Contributions subsequent to the measurement date	<u>3,406</u>	<u>-</u>
Total	<u>\$ 3,406</u>	<u>\$ 7,118</u>

\$3,406 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2025	\$ (10,337)
2026	2,369
2027	<u>850</u>
Total	<u>\$ (7,118)</u>

L. Health Care Coverage

During the year ended September 30, 2024 the City paid the full medical insurance premium coverage on each of its participating employees. At each employee's discretion, they may also include their spouse or dependents and the employee pays this coverage by a payroll deduction. The City's share of employee health insurance is \$137,100.

CITY OF SHAMROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

M. Commitments and Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

N. Expenditures in Excess of Budgeted Amounts

During the year ended September 30, 2024, the City had expenditures in excess of the budgeted amount in the General Fund in the following areas and amounts:

General	\$ 888,620
---------	------------

O. Closure and Postclosure Care Cost

State and Federal laws and regulations require that the City cover the municipal solid waste landfill ("landfill") after it is used to capacity (i.e. no longer accepts solid waste) and to monitor and maintain the landfill area during the post-closure period.

Operating expenses incurred for current landfill activities are recorded as expenses in the current year financial statements. Additionally, an expense provision/liability is recorded for the expected closure and post-closure care costs of the landfill in proportion to the current percentage capacity used. Total estimated closure and post-closure costs are \$337,856. This amount represents the cost of all equipment, facilities and services to close, maintain and monitor the landfill as if it were acquired as of September 30, 2024. The total liability recorded in the City's government wide financial statements is \$186,274, which is based on current capacity usage of 55.13% of the total area. An additional \$151,582 will be recognized between the balance sheet date and the date the landfill no longer accepts solid waste, which is expected to be about 20 years. These costs are estimates and are subject to change based on inflation, laws and/or regulations and other factors.

The City of Shamrock has elected to demonstrate financial assurance that it can meet the obligations of the landfill for closure and post-closure cost when they become due through an irrevocable standby letter of credit as specified in Chapter 37 of the Texas Administrative Code.

P. Litigation

The City is a defendant from time to time in various lawsuits. In the opinion of the City's management, any liabilities resulting from such lawsuits will not have a material effect on the financial position of the City.

CITY OF SHAMROCK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2024

Q. Interfund Balances and Activities

Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2024, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Water Fund	<u>\$ 31,593</u>	Fund operating deficits

Due to and due from

Transfers to and from other funds at September 30, 2024, consisted of the following:

Due From	Due To	Amount	Reason
Payroll Fund	EDC	<u>\$ 26,719</u>	Payroll allocation

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CITY OF SHAMROCK, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2024

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Total pension liability				
Service Cost	\$ 53,981	\$ 71,706	\$ 77,321	\$ 69,458
Interest (on the Total Pension Liability)	139,571	147,145	146,566	154,571
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	30,329	(38,925)	17,487	14,539
Change of assumptions	-	13,700	-	-
Benefit payments, including refunds of employee contributions	(117,302)	(131,793)	(122,507)	(115,197)
Net change in Total Pension Liability	106,579	61,833	118,867	123,371
Total Pension Liability - Beginning	2,025,534	2,132,113	2,193,946	2,312,813
Total Pension Liability - Ending	<u>\$ 2,132,113</u>	<u>\$ 2,193,946</u>	<u>\$ 2,312,813</u>	<u>\$ 2,436,184</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 68,738	\$ 78,560	\$ 76,561	\$ 61,151
Contributions - Employee	38,531	45,098	47,495	42,823
Net Investment Income	88,001	2,383	108,682	237,997
Benefit payments, including refunds of employee contributions	(117,302)	(131,793)	(122,507)	(115,197)
Administrative expense	(919)	(1,452)	(1,227)	(1,233)
Other	(76)	(71)	(66)	(63)
Net Change in Plan Fiduciary Net Position	76,973	(7,275)	108,938	225,478
Plan Fiduciary Net Position - Beginning	1,538,291	1,615,264	1,607,989	1,716,927
Plan Fiduciary Net Position - Ending	<u>\$ 1,615,264</u>	<u>\$ 1,607,989</u>	<u>\$ 1,716,927</u>	<u>\$ 1,942,405</u>
Net Pension Liability Ending (a)-(b)	\$ 516,849	\$ 585,957	\$ 595,886	\$ 493,779
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.76%	73.29%	74.24%	79.73%
Covered Employee Payroll	\$ 770,610	\$ 901,963	\$ 949,894	\$ 856,452
Net Pension Liability as a Percentage of Covered Employee Payroll	67.07%	64.96%	62.73%	57.65%

CITY OF SHAMROCK, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2024

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
\$ 51,520	\$ 37,434	\$ 39,507	\$ 44,974	\$ 47,407	\$ 52,092
160,040	155,571	151,389	153,251	155,680	147,229
-	-	-	-	-	-
(99,580)	(126,882)	(14,002)	13,342	(165,133)	29,708
-	20,070	-	-	-	(40,576)
<u>(181,957)</u>	<u>(160,324)</u>	<u>(138,053)</u>	<u>(166,025)</u>	<u>(187,578)</u>	<u>(143,432)</u>
(69,977)	(74,131)	38,841	45,542	(149,624)	45,021
2,436,184	2,366,207	2,292,076	2,330,917	2,376,459	2,226,835
<u>\$ 2,366,207</u>	<u>\$ 2,292,076</u>	<u>\$ 2,330,917</u>	<u>\$ 2,376,459</u>	<u>\$ 2,226,835</u>	<u>\$ 2,271,856</u>
\$ 45,717	\$ 36,277	\$ 42,003	\$ 52,324	\$ 54,273	\$ 56,158
31,881	23,136	24,002	27,423	28,942	31,764
(58,177)	274,780	147,909	263,664	(160,306)	223,380
(181,957)	(160,324)	(138,053)	(166,025)	(187,578)	(143,432)
(1,125)	(1,554)	(958)	(1,222)	(1,391)	(1,427)
(58)	(45)	(38)	8	1,660	(11)
<u>(163,719)</u>	<u>172,270</u>	<u>74,865</u>	<u>176,172</u>	<u>(264,400)</u>	<u>166,432</u>
1,942,405	1,778,686	1,950,956	2,025,821	2,201,993	1,937,593
<u>\$ 1,778,686</u>	<u>\$ 1,950,956</u>	<u>\$ 2,025,821</u>	<u>\$ 2,201,993</u>	<u>\$ 1,937,593</u>	<u>\$ 2,104,025</u>
\$ 587,521	\$ 341,120	\$ 305,096	\$ 174,466	\$ 289,242	\$ 167,831
75.17%	85.12%	86.91%	92.66%	87.01%	92.61%
\$ 637,624	\$ 462,723	\$ 480,031	\$ 548,464	\$ 578,839	\$ 635,272
92.14%	73.72%	63.56%	31.81%	49.97%	26.42%

CITY OF SHAMROCK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2024

SCHEDULE OF CONTRIBUTIONS

	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Actuarially Determined Contribution	\$ 76,400	\$ 79,177	\$ 68,169	\$ 52,248
Contributions in relation to the actuarially determined contribution	76,400	79,177	68,169	52,248
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
 Covered employee payroll	 \$ 871,959	 \$ 964,436	 \$ 883,754	 \$ 729,549
 Contributions as a percentage of covered employee payroll	 8.76%	 8.21%	 7.70%	 7.16%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of Payroll, Closed
Remaining Amortization Period	23 years (longest amortization ladder)
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.

CITY OF SHAMROCK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2024

SCHEDULE OF CONTRIBUTIONS

<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>
\$ 34,406	\$ 44,680	\$ 55,387	\$ 60,588	\$ 65,011	\$ 55,220
34,406	44,680	55,387	60,588	65,011	55,220
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 448,288	\$ 486,458	\$ 521,663	\$ 553,314	\$ 624,267	\$ 697,628
7.67%	9.18%	10.62%	10.95%	10.41%	7.92%

CITY OF SHAMROCK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2024

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years (will ultimately be displayed)

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Total OPEB liability				
Service Cost	\$ 3,340	\$ 2,742	\$ 2,175	\$ 3,168
Interest on Total OPEB Liability	3,604	3,539	3,519	2,937
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(12,533)	(5,231)	(6,941)
Change in assumptions or other inputs	6,087	(4,518)	12,589	10,271
Benefit payments*	<u>(1,199)</u>	<u>(1,084)</u>	<u>(972)</u>	<u>(2,256)</u>
Net change in OPEB Liability	11,832	(11,854)	12,080	7,179
Total Pension Liability - Beginning	<u>94,269</u>	<u>106,101</u>	<u>94,247</u>	<u>106,327</u>
Total Pension Liability - Ending	<u><u>\$ 106,101</u></u>	<u><u>\$ 94,247</u></u>	<u><u>\$ 106,327</u></u>	<u><u>\$ 113,506</u></u>
Covered Employee Payroll	\$ 856,452	\$ 637,624	\$ 462,723	\$ 480,031
OPEB Liability as a Percentage of Covered Employee Payroll	12.39%	14.78%	22.98%	23.65%

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

CITY OF SHAMROCK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2024

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years (will ultimately be displayed)

12/31/2021	12/31/2022	12/31/2023
\$ 4,662	\$ 4,283	\$ 2,605
2,248	2,085	2,570
-	-	-
(902)	(24,459)	4,793
2,530	(23,551)	3,164
(6,856)	(7,988)	(6,797)
1,682	(49,630)	6,335
113,506	115,188	65,558
\$ 115,188	\$ 65,558	\$ 71,893
\$ 548,464	\$ 578,839	\$ 635,272
21.00%	11.33%	11.32%

CITY OF SHAMROCK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2024

SCHEDULE OF CITY'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Actuarially Determined Contribution	\$ 1,180	\$ 881	\$ 1,699	\$ 5,597
Contributions in relation to the actuarially determined contribution	<u>1,180</u>	<u>881</u>	<u>1,699</u>	<u>5,597</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 729,549	\$ 448,288	\$ 486,458	\$ 521,663
Contributions as a percentage of covered employee payroll	0.17%	0.20%	0.35%	1.07%

Notes to Schedule of Contributions

Valuation Date:

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2017 and a measurement date of December 31, 2017: as such, no roll-forward is required.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF SHAMROCK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2024

SCHEDULE OF CITY'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>
\$ 8,414	\$ 8,968	\$ 7,479
<u>8,414</u>	<u>8,968</u>	<u>7,479</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 553,314	\$ 624,267	\$ 697,628
1.52%	1.44%	1.07%

Denise Foster C.P.A.
Tracy Lambert C.P.A.
April Foard C.P.A.

330 N Main, P.O. Box 7
Childress, Texas 79201 940-937-8681

Independent Auditor's 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*

Mayor and City Council
City of Shamrock, Texas
116 West Second
Shamrock, Texas 79079

Members of the Board:

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shamrock, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Shamrock, Texas' basic financial statements and have issued our report thereon dated February 18, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Shamrock, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but nor for the purpose of expressing an opinion on the effectiveness of the City of Shamrock, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Shamrock, Texas's internal control.

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

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

Compliance and Other Matters

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

A handwritten signature in cursive script that reads "Foster, Lambert & Foard LLC".

Foster, Lambert & Foard, L.L.C.
February 18, 2025

Denise Foster C.P.A.
Tracy Lambert C.P.A.
April Foard, C.P.A.

330 Main, P.O. Box 7
Childress, Texas 79201 940-937-8681

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Mayor and City Council
City of Shamrock, Texas
116 West Second
Shamrock, Texas 79079

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Shamrock, Texas'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 City of Shamrock, Texas's major federal programs for the year ended September 30, 2024. City of Shamrock, Texas'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 Shamrock, Texas complied, in all material respects, with the 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, 2024.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Shamrock, Texas 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 Shamrock, Texas's compliance with the compliance requirements referred to above.

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 Shamrock, Texas'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 Shamrock, Texas'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 GAAS, *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 City of Shamrock, Texas's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 City of Shamrock, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Shamrock, Texas'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 City of Shamrock, Texas'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.

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.

Foster, Lambert & Foard LLC

Foster, Lambert & Foard, LLC
February 18, 2025

CITY OF SHAMROCK, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. Summary of the Auditor's Results:

Financial Statements:

- Type of auditor's report issued: **Unmodified.**
- Internal control over financial reporting:
 - Material weakness(es) identified: **None.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Noncompliance material to financial statements noted: **None.**

Federal Awards:

- Internal control over major programs:
 - Material weakness(es) identified: **None.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Type of auditor's report issued on compliance for major programs: **Unmodified.**
- Audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a): **None.**
- Identification of major programs:
 - 11.300 Investments for Public Works and Economic Development Facilities**
- Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- Auditee qualification as a low-risk auditee: **No.**

II. Financial Statement Findings:

None.

III. Federal Award Findings and Questioned Costs:

None.

CITY OF SHAMROCK, TEXAS

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2024

N/A

CITY OF SHAMROCK, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Federal Award Contract Number	Expenditures, Indirect Costs and Refunds
Federal Awards:			
US Department of Commerce Investments for Public Works and Economic Development Facilities	11.300	N/A	\$ <u>901,000</u>