

CITY OF IVANHOE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023



City of Ivanhoe, Texas  
 Annual Financial Report  
 For The Year Ended September 30, 2023

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## Financial Section





Certified Public Accountants

**Goff & Herrington, P.C.**

P.O. Box 153320 • Lufkin, TX 75915-3320 • (936) 634-2345 • Fax: (936) 622-6823

A.J. Goff, CPA  
Ronnie Herrington, CPA  
Daniel Raney, CPA  
Laurie Durbin, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To Members of the City Council  
City of Ivanhoe, Texas  
870 Charmaine Drive  
Woodville, Texas 75979

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

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Ivanhoe, Texas  
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higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 27-29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected



INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Ivanhoe, Texas  
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to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections 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.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024, on our consideration of the City'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'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 the City's internal control over financial reporting and compliance.

*Goff & Herrington, P.C.*  
GOFF & HERRINGTON, P.C.  
Certified Public Accountant

June 21, 2024

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Ivanhoe, Texas' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal period ended September 30, 2023. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

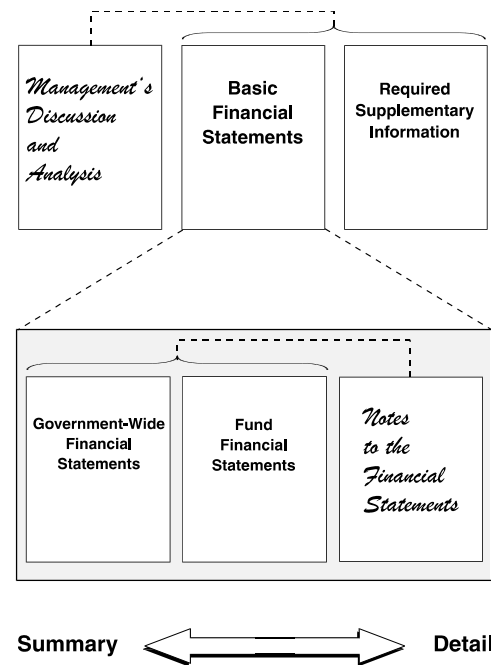
- The City's total combined net position was \$3,160.3 thousand at September 30, 2023.
- During the year, the City's expenses were \$704.4 thousand less than the \$2,113.2 thousand generated in taxes, fees, grants and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$436.3 thousand.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general administration, public safety, streets and bridges, buildings and grounds, and financial and professional. Property, sales and franchise taxes finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** The City's combined net position was \$3,160.3 thousand at September 30, 2023 (see Table A-1). The increase in capital assets is primarily due to the continuation of a major street improvement project shown as infrastructure improvements.

**Table A-1**  
City's Net Position  
(in thousands of dollars)

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,049.6	\$ 1,192.2
Taxes Receivable	320.9	288.7
Intergovernmental Receivables	120.6	175.6
Due from Special Revenue Fund	-	-
Total Current Assets	<u>1,491.1</u>	<u>1,656.5</u>
Non-Current Assets:		
Capital Assets:		
Land	25.5	25.5
Buildings	192.6	192.6
Infrastructure Improvements	2,147.1	2,147.1
Vehicles and Equipment	600.7	472.1
Construction in Progress	1,498.4	794.8
Less: Accumulated Depreciation	(676.4)	(439.8)
Total Non-Current Assets	<u>3,787.9</u>	<u>3,192.3</u>
Total Assets	<u>5,279.0</u>	<u>4,848.8</u>
Liabilities:		
Accounts Payable and Other Current Liabilities	142.8	172.2
Unearned Revenue	195.4	354.7
Long-term Debt	1,780.5	1,866.1
Total Liabilities	<u>2,118.7</u>	<u>2,393.0</u>
Net Position:		
Invested in Capital Assets	2,376.5	1,718.0
Restricted For:		
Federal and State Programs	13.0	1.0
Debt Service	92.6	83.4
Unrestricted	678.2	653.4
Total Net Position	<u>\$ 3,160.3</u>	<u>\$ 2,455.8</u>

**Changes in net position.** The City's total revenues were \$2,113.2 thousand and total expenses were \$1,408.8 thousand, which resulted in an increase in net position of \$704.4 thousand (see Table A-2). The decrease in revenues is primarily due to less grant activity for infrastructure improvements. Public Works and Road Construction expenses decreased due to lower infrastructure expenses for grant projects. Public safety expenses increased as a result of grant related expenditures.

**Table A-2**  
Changes in City's Net Position  
*(in thousands of dollars)*

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Program Revenues:		
Charges for Services	\$ 51.2	\$ 40.4
Operating Grants and Contributions	384.6	622.7
Capital Grants and Contributions	777.9	946.9
General Revenues:		
Property Taxes	713.1	736.8
Sales Taxes	86.1	82.2
Franchise Fees	47.6	45.9
Investment Earnings	50.0	6.6
Gain on Asset Disposal	2.7	-
Total Revenues:	<u>2,113.2</u>	<u>2,481.5</u>
Program Expenses:		
General Government	306.9	301.5
Public Safety	222.0	148.8
Public Works	584.3	627.6
Municipal Court	17.8	28.5
Road Construction	229.7	413.0
Interest on Long-term Debt	48.1	50.8
Bond Issuance Costs	-	-
Total Program Expenses	<u>1,408.8</u>	<u>1,570.2</u>
Change in Net Position	704.4	911.3
Net Position - Beginning	<u>2,455.9</u>	<u>1,544.6</u>
Net Position - Ending	<u>\$ 3,160.3</u>	<u>\$ 2,455.9</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2023, the City had invested \$4,464.3 thousand in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.)

**Table A-3**  
City's Capital Assets  
(In thousands of dollars)

	<u>Governmental Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Construction in Progress	\$ 1,498.4	\$ 794.8	\$ 703.6
Land	25.5	25.5	-
Buildings	192.6	192.6	-
Infrastructure Improvements	2,147.1	2,147.1	-
Vehicles and Equipment	600.7	472.1	128.6
Totals at Historical Cost	<u>4,464.3</u>	<u>3,632.1</u>	<u>832.2</u>
Accumulated Depreciation	<u>(676.4)</u>	<u>(439.8)</u>	<u>(236.6)</u>
Net Capital Assets	<u>\$ 3,787.9</u>	<u>\$ 3,192.3</u>	<u>\$ 595.6</u>

### Long-term Debt

At year end, the City had \$1,780.5 thousand in outstanding long-term debt as shown in Table A-4. More detailed information about the City's debt is presented in the Notes to the Financial Statements.

**Table A-4**  
City's Long-Term Debt  
(In thousands of dollars)

	<u>Governmental Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Bonds	\$ 1,690.0	\$ 1,770.0	\$ (80.0)
Premium	90.5	96.1	(5.6)
	<u>\$ 1,780.5</u>	<u>\$ 1,866.1</u>	<u>\$ (85.6)</u>

## ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

Over the course of the year, the City did not revise its budget. Actual expenditures were \$34.2 thousand more than final budget amounts and revenues were \$33.9 thousand more than final budget amounts. The positive variance in revenues is primarily due to fees and interest income. The negative variance in

expenditures is primarily due to not attorney fees and payroll and vehicles expenditures in the Marshal's Office.

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

- The City is expecting to increase property tax revenue only slightly in 2024 from 2023 due to an increase in appraised property values, even after a decrease in the M&O tax rate used for the 2024 budget preparation.
- Expenditures for fiscal year 2024 are expected to be \$778.5 thousand which is \$58.1 thousand more than the final 2023 budget, primarily due to increased payroll expenditures in the Marshal's Office.

These indicators were taken into account when adopting the General Fund budget for 2024. Amounts available for appropriation in the general fund budget are \$778.5 thousand, an increase of \$58.1 thousand from the final 2023 budget. Interest income is expected to increase \$16.5 thousand over the prior year budget and permits and office receipts are expected to increase \$17.7 thousand. The City will use any increases in revenues to finance programs it currently offers.

If these estimates are realized, the General Fund's budgetary fund balance is expected to remain the same by the close of 2024.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Business Services Department.



## Basic Financial Statements

**CITY OF IVANHOE, TEXAS**

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,049,639
Receivables:	
Property Taxes	317,648
Sales Taxes	3,199
Intergovernmental	120,549
Capital Assets (Net of Accumulated Depreciation)	3,787,926
Total Assets	<u>5,278,961</u>
<b>LIABILITIES:</b>	
Accounts Payable and Other Current Liabilities	129,147
Payroll Liabilities	5,298
Accrued Interest Payable	4,185
State Fines and Fees Payable	4,182
Unearned Revenue	195,377
Noncurrent Liabilities:	
Notes Payable	
Due Within One Year	80,000
Due in More Than One Year	1,700,480
Total Liabilities	<u>2,118,669</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	2,376,502
Restricted For:	
Federal and State Programs	12,957
Debt Service	92,591
Unrestricted	678,242
Total Net Position	<u>\$ 3,160,292</u>

The accompanying notes are an integral part of this statement.

**CITY OF IVANHOE, TEXAS**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>					
Governmental Activities:					
General Government	\$ 306,940	\$ 30,241	\$ 24,358	\$ --	\$ (252,341)
Public Safety	221,993	--	498	107,509	(113,986)
Public Works	584,251	7,733	279,939	503,916	207,337
Municipal Court	17,832	13,238	--	--	(4,594)
Road Construction	229,679	--	79,773	166,508	16,602
Interest on Long-term Debt	48,057	--	--	--	(48,057)
Total Governmental Activities	<u>1,408,752</u>	<u>51,212</u>	<u>384,568</u>	<u>777,933</u>	<u>(195,039)</u>
Total Primary Government	<u>\$ 1,408,752</u>	<u>\$ 51,212</u>	<u>\$ 384,568</u>	<u>\$ 777,933</u>	<u>(195,039)</u>
General Revenues:					
Property Taxes					713,090
Sales Taxes					86,127
Franchise Fees					47,556
Unrestricted Investment Earnings					49,952
Gain (Loss) on Sale of Capital Assets					2,725
Total General Revenues					<u>899,450</u>
Change in Net Position					<u>704,411</u>
Net Position - Beginning					<u>2,455,881</u>
Net Position - Ending					<u>\$ 3,160,292</u>

The accompanying notes are an integral part of this statement.

**CITY OF IVANHOE, TEXAS**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund
	<u>          </u>	<u>          </u>
<b>ASSETS AND OTHER DEBITS</b>		
Assets:		
Cash and Cash Equivalents	\$ 451,570	\$ 21,031
Receivables:		
Property Taxes	246,088	71,560
Sales Taxes	3,199	--
Intergovernmental Receivables	14,215	--
Interfund Receivables	--	--
Total Assets	<u>\$ 715,072</u>	<u>\$ 92,591</u>
<b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
Accounts Payable	\$ 22,813	\$ --
Payroll Liabilities	5,298	--
Municipal Court Fines and Fees Payable	4,182	--
Due to Other Funds	352	--
Unearned Revenue	--	--
Total Liabilities	<u>32,645</u>	<u>--</u>
Deferred Inflows of Resources:		
Deferred Revenue - Property Taxes	246,088	71,560
Total Deferred Inflows of Resources	<u>246,088</u>	<u>71,560</u>
Fund Balances:		
Restricted for Federal and State Programs	--	--
Restricted for Debt Service	--	21,031
Restricted for Capital Projects	--	--
Unassigned	436,339	--
Total Fund Balances	<u>436,339</u>	<u>21,031</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 715,072</u>	 <u>\$ 92,591</u>

The accompanying notes are an integral part of this statement.

<u>Federal Grants Special Revenue Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Street Construction Fund</u>	<u>Total Governmental Funds</u>
\$ 303	\$ 207,679	\$ 369,056	\$ 1,049,639
--	--	--	317,648
--	--	--	3,199
106,334	--	--	120,549
--	352	--	352
<u>\$ 106,637</u>	<u>\$ 208,031</u>	<u>\$ 369,056</u>	<u>\$ 1,491,387</u>
\$ 106,334	\$ --	\$ --	\$ 129,147
--	--	--	5,298
--	--	--	4,182
--	--	--	352
--	195,377	--	195,377
<u>106,334</u>	<u>195,377</u>	<u>--</u>	<u>334,356</u>
--	--	--	317,648
<u>--</u>	<u>--</u>	<u>--</u>	<u>317,648</u>
303	12,654	--	12,957
--	--	--	21,031
--	--	369,056	369,056
--	--	--	436,339
<u>303</u>	<u>12,654</u>	<u>369,056</u>	<u>839,383</u>
<u>\$ 106,637</u>	<u>\$ 208,031</u>	<u>\$ 369,056</u>	<u>\$ 1,491,387</u>

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**CITY OF IVANHOE, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	\$ 839,383
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,787,926
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	317,648
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,690,000)
Payables for debt interest which are not due in the current period are not reported in the funds.	(4,185)
Bond premiums are amortized in the SNA but not in the funds.	<u>(90,480)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,160,292</u>

The accompanying notes are an integral part of this statement.

**CITY OF IVANHOE, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund
	<u>          </u>	<u>          </u>
Revenue:		
Property Taxes	\$ 550,897	\$ 133,237
General Sales and Use Taxes	86,127	--
License and Permits	10,796	--
Intergovernmental	--	--
Charges for Services	186	--
Fees	26,992	--
Investment Earnings	18,009	3,005
Franchise Fees	47,556	--
Contributions and Donations	498	--
Municipal Fines and Fees	13,238	--
Total Revenues	<u>754,299</u>	<u>136,242</u>
Expenditures:		
Current:		
General Government	275,604	--
Public Safety	184,733	--
Public Works	276,359	--
Municipal Court	17,832	--
Road Construction	--	--
Debt Service:		
Principal	--	80,000
Interest and Fiscal Charges	--	53,975
Capital Outlay:		
Total Expenditures	<u>754,528</u>	<u>133,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(229)	2,267
Other Financing Sources (Uses):		
Sale of Capital Assets	<u>2,725</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>2,725</u>	<u>--</u>
Net Change in Fund Balances	2,496	2,267
Fund Balances - Beginning	433,843	18,764
Fund Balances - Ending	<u>\$ 436,339</u>	<u>\$ 21,031</u>

The accompanying notes are an integral part of this statement.



Federal Grants Special Revenue Fund	American Rescue Plan Act Fund	Street Construction Fund	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 684,134
--	--	--	86,127
--	--	--	10,796
1,002,635	159,368	--	1,162,003
--	--	--	186
--	--	--	26,992
343	11,623	16,972	49,952
--	--	--	47,556
--	--	--	498
--	--	--	13,238
<u>1,002,978</u>	<u>170,991</u>	<u>16,972</u>	<u>2,081,482</u>
64	24,359	--	300,027
--	107,509	--	292,242
773,855	10,000	--	1,060,214
--	--	--	17,832
228,780	17,500	39,701	285,981
--	--	--	80,000
--	--	--	53,975
<u>1,002,699</u>	<u>159,368</u>	<u>39,701</u>	<u>2,090,271</u>
279	11,623	(22,729)	(8,789)
--	--	--	2,725
--	--	--	2,725
279	11,623	(22,729)	(6,064)
24	1,031	391,785	845,447
<u>\$ 303</u>	<u>\$ 12,654</u>	<u>\$ 369,056</u>	<u>\$ 839,383</u>

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**CITY OF IVANHOE, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds	\$ (6,064)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	836,187
The depreciation of capital assets used in governmental activities is not reported in the funds.	(240,586)
The gain or loss on the sale of capital assets is not reported in the funds.	2,750
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(2,750)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	28,956
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	80,000
(Increase) decrease in accrued interest from beginning of period to end of period.	263
Bond premiums are reported in the funds but not in the SOA.	<u>5,655</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 704,411</u>

The accompanying notes are an integral part of this statement.

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**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Significant Accounting Policies

The combined financial statements of City of Ivanhoe, Texas (the "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's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The City reports the following major governmental funds:

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

Debt Service Fund. This fund accounts for the accumulation of resources for the payment of principal and interest on the general long-term debt of the City. Property taxes are used for the payment of this debt.

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Capital Projects Fund. This fund accounts for major construction project expenditures of the City.

Special Revenue Funds. These funds account for Federal and State grant revenue and expenditures.

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased, including all local government pools.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

**CITY OF IVANHOE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10-20
Buildings	25-30
Building Improvements	15-20
Vehicles	5-20
Equipment	5-10
Office Equipment	5

d. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

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

f. 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's 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.

**CITY OF IVANHOE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 spent 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.

g. Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Long-term Debt

In the government-wide financial statements, any outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and principal and interest payments are recognized as an expense of the current period.

i. Compensated Absences

The City does not pay any employees accrued sick leave or vacation time upon termination or retirement. Therefore, no liability for accrued sick leave or vacation time is recorded in the government-wide or governmental fund financial statements.

j. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable



**CITY OF IVANHOE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$61,902 and the bank balance was \$77,345. The City's cash deposits at September 30, 2023 and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Of the \$1,049,639 classified as cash, \$987,736 is held in various accounts at Texas Class, a short-term investment pool.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

For reporting purposes, funds held at Texas Class, a short-term investment pool, are classified as cash equivalents.

Analysis of Specific Deposit and Investment Risks:

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

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

**CITY OF IVANHOE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Fair Value Measurement

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City currently has no investments that require Fair Value Measurement.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 25,457	\$ --	\$ --	\$ 25,457
Construction in progress	794,807	703,604	--	1,498,411
Total capital assets not being depreciated	<u>820,264</u>	<u>703,604</u>	<u>--</u>	<u>1,523,868</u>
Capital assets being depreciated:				
Buildings and improvements	192,581	--	--	192,581
Infrastructure improvements	2,147,139	--	--	2,147,139
Vehicles	281,285	132,583	4,000	409,868
Equipment	190,898	--	--	190,898
Total capital assets being depreciated	<u>2,811,903</u>	<u>132,583</u>	<u>4,000</u>	<u>2,940,486</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,360)	(8,246)	--	(45,606)
Infrastructure improvements	(259,115)	(179,050)	--	(438,165)
Vehicles	(69,439)	(32,491)	(4,000)	(97,930)
Equipment	(73,928)	(20,799)	--	(94,727)
Total accumulated depreciation	<u>(439,842)</u>	<u>(240,586)</u>	<u>(4,000)</u>	<u>(676,428)</u>
Total capital assets being depreciated, net	<u>2,372,061</u>	<u>(108,003)</u>	<u>--</u>	<u>2,264,058</u>
Governmental activities capital assets, net	<u>\$ 3,192,325</u>	<u>\$ 595,601</u>	<u>\$ --</u>	<u>\$ 3,787,926</u>

Depreciation was charged to functions as follows:

General Government	\$ 6,913
Public Safety	22,040
Public Works	68,247
Road Construction	143,386
Total	<u>\$ 240,586</u>

**CITY OF IVANHOE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**E. Interfund Balances and Activity**

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2023, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
ARPA Fund	General Fund	\$ 352	Grant award deposited to wrong account
	Total	<u>\$ 352</u>	

All amounts due are scheduled to be repaid within one year.

**F. Long-Term Obligations**

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,770,000	\$ --	\$ 80,000	\$ 1,690,000	80,000
Adjustments for:					
Discounts and premiums	96,135	--	5,655	90,480	--
Total governmental activities	<u>\$ 1,866,135</u>	<u>\$ --</u>	<u>\$ 85,655</u>	<u>\$ 1,780,480</u>	<u>\$ 80,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2023, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 80,000	\$ 50,775	\$ 130,775
2025	85,000	47,575	132,575
2026	90,000	44,175	134,175
2027	90,000	40,575	130,575
2028	95,000	36,975	131,975
2029-2033	525,000	141,625	666,625
2034-2038	595,000	70,275	665,275
2039-2043	130,000	3,900	133,900
Totals	<u>\$ 1,690,000</u>	<u>\$ 435,875</u>	<u>\$ 2,125,875</u>

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Governmental Activities:

Bonds Payable

The City issued General Obligation Bonds, Series 2019 dated October 1, 2019. Principal and interest payments are due each March and September beginning March 1, 2020 and ending September 2039. The interest rate ranges from 2.5% to 4.0%. The bonds are to be used to construct and improve roads in the City. Bonds are payable from, and secured by, an annual ad valorem tax.

Balance at September 30, 2023 \$ 1,690,000

G. Leases

The City did not have any leases subject to GASB Statement No. 87 or subscription-based information technology arrangements subject to GASB Statement No. 96 at September 30, 2023.

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Health Care Coverage

The City does not provide health insurance coverage for its employees.

J. Commitments and Contingencies

1. 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 basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2023.

K. Subsequent Events

The City did not have any subsequent events through June 21, 2024, which is the date the financial statements are available to be issued for events requiring recording or disclosure in the financial statements for the year ended September 30, 2023.

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## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.





**CITY OF IVANHOE, TEXAS**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 570,491	\$ 570,491	\$ 550,897	\$ (19,594)
General Sales and Use Taxes	85,000	85,000	86,127	1,127
License and Permits	4,000	4,000	10,796	6,796
Charges for Services	--	--	186	186
Fees	12,300	12,300	26,992	14,692
Investment Earnings	500	500	18,009	17,509
Franchise Fees	42,200	42,200	47,556	5,356
Contributions and Donations	800	800	498	(302)
Municipal Fines and Fees	5,075	5,075	13,238	8,163
Total Revenues	<u>720,366</u>	<u>720,366</u>	<u>754,299</u>	<u>33,933</u>
Expenditures:				
Current:				
General Government	257,605	257,605	275,604	(17,999)
Public Safety	153,839	153,839	184,733	(30,894)
Public Works	283,521	283,521	276,359	7,162
Municipal Court	25,401	25,401	17,832	7,569
Debt Service:				
Total Expenditures	<u>720,366</u>	<u>720,366</u>	<u>754,528</u>	<u>(34,162)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	(229)	(229)
Other Financing Sources (Uses):				
Sale of Capital Assets	--	--	2,725	(2,725)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>2,725</u>	<u>2,725</u>
Net Change in Fund Balances	--	--	2,496	2,496
Fund Balances - Beginning	433,843	433,843	433,843	--
Fund Balances - Ending	<u>\$ 433,843</u>	<u>\$ 433,843</u>	<u>\$ 436,339</u>	<u>\$ 2,496</u>

**CITY OF IVANHOE, TEXAS**  
 FEDERAL GRANTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 19,716,210	\$ 19,716,210	\$ 1,002,635	\$ (18,713,575)
Investment Earnings	--	--	343	343
Total Revenues	<u>19,716,210</u>	<u>19,716,210</u>	<u>1,002,978</u>	<u>(18,713,232)</u>
Expenditures:				
Current:				
General Government	--	--	64	(64)
Public Works	17,256,637	17,256,637	773,855	16,482,782
Road Construction	2,459,573	2,459,573	228,780	2,230,793
Capital Outlay:				
Total Expenditures	<u>19,716,210</u>	<u>19,716,210</u>	<u>1,002,699</u>	<u>18,713,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	279	279
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	--	--	279	279
Fund Balances - Beginning	24	24	24	--
Fund Balances - Ending	<u>\$ 24</u>	<u>\$ 24</u>	<u>\$ 303</u>	<u>\$ 279</u>

**CITY OF IVANHOE, TEXAS**  
 AMERICAN RESCUE PLAN ACT FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

**EXHIBIT B-3**

	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenue:				
Intergovernmental	\$ 352,931	\$ 352,931	\$ 159,368	\$ (193,563)
Investment Earnings	--	--	11,623	11,623
Total Revenues	<u>352,931</u>	<u>352,931</u>	<u>170,991</u>	<u>(181,940)</u>
Expenditures:				
Current:				
General Government	352,931	352,931	24,359	328,572
Public Safety	--	--	107,509	(107,509)
Public Works	--	--	10,000	(10,000)
Road Construction	--	--	17,500	(17,500)
Debt Service:				
Capital Outlay:				
Total Expenditures	<u>352,931</u>	<u>352,931</u>	<u>159,368</u>	<u>193,563</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	11,623	11,623
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	--	--	11,623	11,623
Fund Balances - Beginning	1,031	1,031	1,031	--
Fund Balances - Ending	<u>\$ 1,031</u>	<u>\$ 1,031</u>	<u>\$ 12,654</u>	<u>\$ 11,623</u>

## **CITY OF IVANHOE, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

### Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. 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 not amended. All budget appropriations lapse at year end.

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.





Certified Public Accountants

**Goff & Herrington, P.C.**

P.O. Box 153320 • Lufkin, TX 75915-3320 • (936) 634-2345 • Fax: (936) 622-6823

A.J. Goff, CPA  
Ronnie Herrington, CPA  
Daniel Raney, CPA  
Laurie Durbin, CPA

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

To Members of the City Council  
City of Ivanhoe, Texas  
870 Charmaine Drive  
Woodville, Texas 75979

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ivanhoe, Texas (City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Members of the City Council  
City of Ivanhoe, Texas  
Page 2

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.  
Certified Public Accountant

June 21, 2024





Certified Public Accountants

**Goff & Herrington, P.C.**

P.O. Box 153320 • Lufkin, TX 75915-3320 • (936) 634-2345 • Fax: (936) 622-6823

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To Members of the City Council  
City of Ivanhoe, Texas  
870 Charmaine Drive  
Woodville, Texas 75979

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

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

We have audited City of Ivanhoe, Texas' (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City'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, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

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

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

We are required to be independent of the City 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 the City'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 the City's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the City Council  
City of Ivanhoe, Texas  
Page 2

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control over Compliance**

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the City Council  
City of Ivanhoe, Texas  
Page 3

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

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

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

*Goff & Herrington, P.C.*  
GOFF & HERRINGTON, P.C.  
Certified Public Accountant

June 21, 2024

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**CITY OF IVANHOE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?  Yes  No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**CITY OF IVANHOE, TEXAS**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None reported.		

**CITY OF IVANHOE, TEXAS**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

**EXHIBIT D-1**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>OTHER PROGRAMS:</b>			
<u>U. S. Department of the Treasury</u>			
Passed Through Texas Division of Emergency Management:			
COVID-19 - Coronavirus State and Local Recovery Fund	21.027	TX-1217	\$ 159,368
Total U. S. Department of the Treasury			<u>159,368</u>
<u>U. S. Department of Housing &amp; Urban Development</u>			
Passed Through Texas Department of Agriculture:			
Community Development Block Grant - Community Development Fund	14.228	CDV21-0378	15,750
Passed Through Texas General Land Office:			
Community Development Block Grant - MIT - Hurricane Harvey	14.228	22-085-013-D244	403,954
Community Development Block Grant - MIT - HMGP Supplemental	14.228	22-119-006-D416	582,931
Total Passed Through Texas General Land Office			<u>986,885</u>
Total U. S. Department of Housing & Urban Development			<u>1,002,635</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,162,003</u></b>

The accompanying notes are an integral part of this schedule.

## **CITY OF IVANHOE, TEXAS**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2023**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of City of Ivanhoe, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

City of Ivanhoe, Texas has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.