

City of Houston, Missouri
Basic Financial Statements
Year Ended December 31, 2023

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Independent Auditors' Report

Honorable Mayor and Board of Aldermen
City of Houston
Houston, Missouri

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 discretely presented component units, and each major fund of the City of Houston, Missouri, as of and for the year ended December 31, 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, the business-type activities, the discretely presented component units, and each major fund of the City of Houston, Missouri, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Houston 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.

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, on our consideration of the City of Houston, Missouri'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 of Houston, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 20, 2024

Management's Discussion and Analysis

City of Houston

Management's Discussion and Analysis

Year Ended December 31, 2023

The management's discussion and analysis of the City of Houston's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities, which consists of General Fund, Cemetery Fund, Park Sales Tax Fund, Police Sales Tax Fund, and Fire Sales Tax Fund, increased by \$1,082,030 for the year as a result of current year activities. The net position of the City's business-type activities decreased by \$404,827 for the year.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2023, by \$32.3 million (net position). Of this amount \$5.7 million was unrestricted and may be used to meet future obligations of the City.

Total long-term liabilities of the City decreased by \$363,943.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, *Is the City as a whole better off or worse off as a result of the year's activities?* The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in it. The City's net position – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

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

Governmental Activities: Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.

Business-Type Activities: The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and electric services are provided here.

City of Houston

Management's Discussion and Analysis

December 31, 2023

Fund Financial Statements

The fund financial statements provide detailed information about the City's funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the Board of Aldermen establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in reconciliations following the fund financial statements.

Proprietary Funds: When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Houston

Management's Discussion and Analysis

December 31, 2023

Government-Wide Financial Analysis

Net Position

The following table presents the condensed Statement of Net Position for the City as of December 31, 2023, and 2022:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2023</u>	<u>Total December 31, 2022</u>
Assets				
Current and other assets	\$ 5,224,211	\$ 3,529,952	\$ 8,754,163	\$ 8,621,185
Capital assets	15,763,837	10,595,643	26,359,480	26,525,501
	<u>20,988,048</u>	<u>14,125,595</u>	<u>35,113,643</u>	<u>35,146,686</u>
Deferred Outflows of Resources				
Deferred pension outflows	231,123	132,545	363,668	364,709
Liabilities				
Other liabilities	185,508	627,031	812,539	870,119
Long-term liabilities outstanding	1,066,916	864,353	1,931,269	2,295,212
	<u>1,252,424</u>	<u>1,491,384</u>	<u>2,743,808</u>	<u>3,165,331</u>
Deferred Inflows of Resources				
Unearned revenue	-	214,107	214,107	214,107
Deferred pension inflows	95,039	108,684	203,723	493,487
	<u>95,039</u>	<u>322,791</u>	<u>417,830</u>	<u>707,594</u>
Net Position				
Net investment in capital assets	14,694,837	9,884,043	24,578,880	24,500,802
Restricted	1,343,384	686,316	2,029,700	1,792,616
Unrestricted	3,833,487	1,873,606	5,707,093	5,345,052
	<u>\$ 19,871,708</u>	<u>\$ 12,443,965</u>	<u>\$ 32,315,673</u>	<u>\$ 31,638,470</u>

Total net position of the City increased by \$677,203 for the year due to current year activity. Total liabilities for the City have decreased by \$421,523. During the year, the City decreased its long-term liabilities by \$363,943. Restricted net position of the City totaled \$2,029,700 as of December 31, 2023.

City of Houston

Management's Discussion and Analysis

December 31, 2023

Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended December 31, 2023</u>	<u>Total Year Ended December 31, 2022</u>
Revenues and Transfers				
Program Revenues				
Charges for services	\$ 750,944	\$ 5,545,910	\$ 6,296,854	\$ 5,945,946
Operating grants and contributions	56,840	-	56,840	123,133
Capital grants and contributions	434,134	-	434,134	279,672
General Revenues				
Sales taxes	2,122,952	232,519	2,355,471	2,246,743
Ad valorem taxes	100,217	-	100,217	92,582
Motor vehicle and gas taxes	106,113	-	106,113	89,233
Other taxes	217,083	-	217,083	114,379
Franchise fees	24,344	-	24,344	24,473
Interest	281,073	17,209	298,282	53,645
Other revenue	7,865	-	7,865	110,172
Transfers	1,000,000	(1,000,000)	-	-
Total Revenues and Transfers	<u>5,101,565</u>	<u>4,795,638</u>	<u>9,897,203</u>	<u>9,079,978</u>
Expenses				
Administrative	684,562	-	684,562	370,300
Courts	79,217	-	79,217	49,824
Transportation	86,444	-	86,444	56,385
Law and public safety	962,222	-	962,222	591,807
Streets and public grounds	657,999	-	657,999	582,306
Fire	250,356	-	250,356	220,315
Parks and recreation	623,309	-	623,309	229,239
Golf	141,056	-	141,056	116,364
Cemetery	3,279	-	3,279	4,557
Airport	150,252	-	150,252	211,025
Sanitation and recycling	380,839	-	380,839	358,077
Water and sewer	-	1,020,735	1,020,735	1,021,355
Electric	-	4,179,730	4,179,730	3,195,643
Total Expenses	<u>4,019,535</u>	<u>5,200,465</u>	<u>9,220,000</u>	<u>7,007,197</u>
Increase in Net Position	<u>\$ 1,082,030</u>	<u>\$ (404,827)</u>	<u>\$ 677,203</u>	<u>\$ 2,072,781</u>

City of Houston

Management's Discussion and Analysis

December 31, 2023

Governmental Activities

Governmental activities increased the net position of the City by \$1,082,030. Tax revenues for the City were \$2,570,709. Program revenues for the functions totaled \$1,241,918. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Net Cost of the City of Houston's Governmental Activities

	Total Cost of Services	Net Cost of Services
Administrative	\$ 684,562	\$ 678,082
Courts	79,217	79,217
Transportation	86,444	45,057
Law and public safety	962,222	801,769
Streets and public grounds	657,999	590,370
Fire	250,356	248,766
Parks and recreation	623,309	576,013
Golf	141,056	12,593
Cemetery	3,279	(2,726)
Airport	150,252	(228,033)
Sanitation and recycling	380,839	(23,491)
	<u>\$ 4,019,535</u>	<u>\$ 2,777,617</u>

Business-Type Activities

Business-type activities decreased the City's net position by \$404,827. This is down from the increase last year from the City's business-type activities of \$382,200.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2023, were \$4,951,281. The General Fund increased by \$500,488. The Cemetery Fund decreased by \$14,417. The Park Sales Tax Fund increased by \$218,495. The Police Sales Tax Fund increased by \$17,443. The Fire Sales Tax Fund increased by \$49,698.

General Fund Budgetary Highlights

Differences between the original, the final amended budget, and the actual results can be summarized as follows:

The total amount of the City's General Fund budget was not changed for fiscal year 2023.

The City budgeted revenues in the General Fund at \$3,095,250 and expenditures at \$4,328,770 for the year ended December 31, 2023.

City of Houston

Management's Discussion and Analysis

December 31, 2023

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$15,763,837 (net of accumulated depreciation) as of December 31, 2023. This represents a \$142,280 increase from the prior year, which is due to current year purchases and construction of capital assets. Net capital assets for business-type activities were \$10,595,643 as of December 31, 2023. This represents an decrease of \$308,301 from the prior year.

Debt

Total debt of governmental activities as of December 31, 2023, was \$1,069,000, which is down from \$1,219,599 in the prior year.

Total debt of business-type activities as of December 31, 2023, was \$1,037,979, which is down from \$1,262,849 in the prior year.

Economic Factors and Next Year's Budget

The police department's budget includes the increase in mandated training, and complete move to officers being able to use their vehicles allowing faster access to computer data and report writing.

The airport budget includes the completion of the projects which were funded through FAA grants.

The budget includes the work by Visu Sewer to try to locate the infiltration and inflow that our system has been impacted by over the last several years. This also includes the lining of some of the sewer lines that we found infiltration in during the video inspection.

The installation of the City's Fiber Network has been occurring and is now live in limited areas.

The electric department have purchased poles to be replaced throughout the city. They plan to stock transformer supply for future development.

The Golf Course has been operating successfully with many tournaments scheduled. Planning for the ball fields that the voters approved last year is also expected to happen.

The City will continue to pursue new retail and manufacturing opportunities. Apartments and duplex rentals are needed to house new population growth as outlined by the recently completed housing study.

The City, in conjunction with the IDA Board, is working to expand the Industrial Court.

Contacting the City's Financial Management

For additional information or questions, please contact:

City of Houston
601 S. Grand Avenue
Houston, MO 65483
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City of Houston
Statement of Net Position
December 31, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority	Community Improvement District
Assets					
Current					
Cash and cash equivalents - unrestricted	\$ 1,246,585	\$ 1,137,314	\$ 2,383,899	\$ 54,657	\$ -
Investments - unrestricted	1,952,675	358,545	2,311,220	-	-
Ad valorem taxes receivable, net	80,823	-	80,823	-	-
Sales tax receivable	428,023	42,757	470,780	-	22,793
Accrued interest receivable	768	322	1,090	-	-
Utilities receivable, net	36,926	390,814	427,740	-	-
Other receivables, net	29,419	-	29,419	94,089	-
Prepaid insurance	89,685	77,402	167,087	-	-
Noncurrent					
Restricted cash and cash equivalents	1,176,271	971,533	2,147,804	466,906	53,914
Restricted investments	-	200,881	200,881	-	-
Net pension asset	183,036	350,384	533,420	-	-
Capital assets					
Non-depreciable	1,275,971	566,138	1,842,109	94,034	-
Depreciable, net	14,487,866	10,029,505	24,517,371	2,054,788	-
Total Assets	20,988,048	14,125,595	35,113,643	2,764,474	76,707
Deferred Outflows of Resources					
Deferred pension outflows	231,123	132,545	363,668	-	-

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Net Position

December 31, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority	Community Improvement District
Liabilities					
Current					
Accounts payable	38,391	74,356	112,747	-	-
Accrued expenses	49,408	54,014	103,422	-	-
Deposits payable	2,095	271,991	274,086	-	-
Current maturities of long-term debt	95,614	226,670	322,284	-	-
	185,508	627,031	812,539	-	-
Noncurrent					
Compensated absences payable	93,530	53,044	146,574	-	-
Financed purchase payable	973,386	-	973,386	-	-
Revenue bonds payable	-	616,300	616,300	-	-
Loans payable	-	195,009	195,009	-	-
	1,066,916	864,353	1,931,269	-	-
Total Liabilities	1,252,424	1,491,384	2,743,808	-	-
Deferred Inflows of Resources					
Unearned revenue	-	214,107	214,107	-	-
Deferred pension inflows	95,039	108,684	203,723	-	-
Total Deferred Inflows of Resources	95,039	322,791	417,830	-	-
Net Position					
Net investment in capital assets	14,694,837	9,884,043	24,578,880	2,148,822	-
Restricted for					
Parks	629,180	-	629,180	-	-
Police	227,517	-	227,517	-	-
Fire	486,687	-	486,687	-	-
Debt service	-	686,316	686,316	-	-
Community improvement	-	-	-	-	76,707
Unrestricted	3,833,487	1,873,606	5,707,093	615,652	-
Total Net Position	\$ 19,871,708	\$ 12,443,965	\$32,315,673	\$ 2,764,474	\$ 76,707

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Activities

Year Ended December 31, 2023

Functions/Programs	Program Revenues			Net (Expenses), Revenues and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Primary Government Business-Type Activities	Industrial Development Authority	Community Improvement District
						Total		
Primary Government								
Governmental activities								
Administrative	\$ (684,562)	\$ 6,480	-	-	\$ (678,082)	\$ -	-	\$ -
Courts	(79,217)	-	-	-	(79,217)	-	-	-
Transportation	(86,444)	41,387	-	-	(45,057)	-	-	-
Law and public safety	(962,222)	103,868	56,585	-	(801,769)	-	-	-
Streets and public grounds	(657,999)	-	-	67,629	(590,370)	-	-	-
Fire	(250,356)	1,590	-	-	(248,766)	-	-	-
Parks and recreation	(623,309)	32,335	-	14,961	(576,013)	-	-	-
Golf	(141,056)	128,463	-	-	(12,593)	-	-	-
Cemetery	(3,279)	5,750	255	-	2,726	-	-	-
Airport	(150,252)	26,741	-	351,544	228,033	-	-	-
Sanitation and recycling	(380,839)	404,330	-	-	23,491	-	-	-
Total Governmental Activities	(4,019,535)	750,944	56,840	434,134	(2,777,617)	-	-	(2,777,617)
Business-type activities								
Water and sewer	(1,020,735)	1,057,556	-	-	36,821	-	-	-
Electric	(4,179,730)	4,488,354	-	-	308,624	-	-	-
Total Business-Type Activities	(5,200,465)	5,545,910	-	-	345,445	-	-	345,445
Total Primary Government	\$ (9,220,000)	\$ 6,296,854	\$ 56,840	\$ 434,134	(2,777,617)	345,445	-	(2,432,172)
Component Units								
Industrial Development Authority	\$ (150,950)	\$ 109,986	\$ 24,306	\$ -	-	-	(16,658)	-
Community Improvement District	(230,416)	-	-	-	-	-	-	(230,416)
Total Component Units	\$ (381,366)	\$ 109,986	\$ 24,306	\$ -	-	-	-	(416,872)
General Revenues								
Sales taxes					2,122,952	232,519	-	2,355,471
Ad valorem taxes					100,217	-	-	100,217
Motor vehicle and gas taxes					106,113	-	-	106,113
Other taxes					217,083	-	-	217,083
Franchise fees					24,344	-	-	24,344
Interest					281,073	17,209	-	298,282
Other revenue					7,865	-	-	7,865
Transfers					1,000,000	(1,000,000)	-	-
Total General Revenues and Transfers					3,859,647	(750,272)	-	3,109,375
Changes in Net Position					1,082,030	(404,827)	-	677,203
Net Position, Beginning of year,					18,789,678	12,848,792	-	31,638,470
Net Position, End of year					\$ 19,871,708	\$ 12,443,965	\$ 2,769,426	\$ 32,315,673

See accompanying Notes to the Financial Statements.

City of Houston

Balance Sheet – Governmental Funds

December 31, 2023

	Special Revenue Funds					Total Governmental Funds
	General Fund	Cemetery Fund	Park Sales Tax Fund	Police Sales Tax Fund	Fire Sales Tax Fund	
Assets						
Cash and cash equivalents - unrestricted	\$ 1,165,147	\$ 81,438	\$ -	\$ -	\$ -	\$ 1,246,585
Investments - unrestricted	1,952,675	-	-	-	-	1,952,675
Ad valorem taxes receivable, net	80,823	-	-	-	-	80,823
Sales taxes receivable	256,999	-	85,512	29,929	55,583	428,023
Accrued interest receivable	768	-	-	-	-	768
Utilities receivable	36,926	-	-	-	-	36,926
Other receivables, net	29,419	-	-	-	-	29,419
Prepaid insurance	89,685	-	-	-	-	89,685
Restricted cash and cash equivalents	3,911	-	543,668	197,588	431,104	1,176,271
Total Assets	<u><u>\$ 3,616,353</u></u>	<u><u>\$ 81,438</u></u>	<u><u>\$ 629,180</u></u>	<u><u>\$ 227,517</u></u>	<u><u>\$ 486,687</u></u>	<u><u>\$ 5,041,175</u></u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 38,391	\$ -	\$ -	\$ -	\$ -	\$ 38,391
Accrued expenses	49,408	-	-	-	-	49,408
Deposits payable	2,095	-	-	-	-	2,095
Total Liabilities	<u>89,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,894</u>
Fund Balances						
Nonspendable						
Prepaid items	89,685	-	-	-	-	89,685
Restricted for						
Park	-	-	629,180	-	-	629,180
Police	-	-	-	227,517	-	227,517
Fire	-	-	-	-	486,687	486,687
Assigned to						
Cemetery operations	-	81,438	-	-	-	81,438
Unassigned	3,436,774	-	-	-	-	3,436,774
Total Fund Balances	<u>3,526,459</u>	<u>81,438</u>	<u>629,180</u>	<u>227,517</u>	<u>486,687</u>	<u>4,951,281</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 3,616,353</u></u>	<u><u>\$ 81,438</u></u>	<u><u>\$ 629,180</u></u>	<u><u>\$ 227,517</u></u>	<u><u>\$ 486,687</u></u>	<u><u>\$ 5,041,175</u></u>

See accompanying Notes to the Financial Statements.

City of Houston

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2023

Fund balance - total governmental funds	\$ 4,951,281
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	27,928,496
Less accumulated depreciation	<u>(12,164,659)</u>
	15,763,837
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension asset and related deferred items:	
Net pension asset	183,036
Deferred outflows due to pensions	231,123
Deferred inflows due to pensions	<u>(95,039)</u>
	319,120
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(1,162,530)</u>
Net Position of Governmental Activities	<u>\$ 19,871,708</u>

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended December 31, 2023

	Special Revenue Funds					Total Governmental Funds
	General Fund	Cemetery Fund	Park Sales Tax Fund	Police Sales Tax Fund	Fire Sales Tax Fund	
Revenues						
Taxes	\$ 1,640,888	-	\$ 464,910	\$ 162,718	\$ 302,192	\$ 2,570,708
Licenses and permits	6,481	-	-	-	-	6,481
Intergovernmental revenues	451,399	-	-	-	-	451,399
Charges for services	633,255	5,750	-	-	-	639,005
Fines and forfeitures	103,637	-	-	-	-	103,637
Miscellaneous	330,076	259	-	-	-	330,335
Total Revenues	3,165,736	6,009	464,910	162,718	302,192	4,101,565
Expenditures						
Current						
Administrative	642,119	-	-	-	-	642,119
Courts	81,314	-	-	-	-	81,314
Transportation	85,149	-	-	-	-	85,149
Law and public safety	854,745	-	-	145,275	-	1,000,020
Streets and public grounds	745,007	-	-	-	-	745,007
Fire	120,237	-	-	-	229,294	349,531
Parks and recreation	279,506	-	246,415	-	-	525,921
Golf	141,056	-	-	-	-	141,056
Cemetery	-	20,426	-	-	-	20,426
Airport	358,476	-	-	-	-	358,476
Sanitation and recycling	380,839	-	-	-	-	380,839
Total Expenditures	3,688,448	20,426	246,415	145,275	229,294	4,329,858
Excess (Deficit) of Revenues Over Expenditures	(522,712)	(14,417)	218,495	17,443	72,898	(228,293)

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended December 31, 2023

	Special Revenue Funds						Total Governmental Funds
	General Fund	Cemetery Fund	Park Sales Tax Fund	Police Sales Tax Fund	Fire Sales Tax Fund		
Other Financing Sources (Uses)							
Operating transfers in	1,023,200	-	-	-	-	-	1,023,200
Operating transfers (out)	-	-	-	-	(23,200)	-	(23,200)
Total Other Financing Sources (Uses)	1,023,200	-	-	-	-	(23,200)	1,000,000
<i>Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other (Uses)</i>	500,488	(14,417)	218,495	17,443	49,698		771,707
Fund Balance, January 1	3,025,971	95,855	410,685	210,074	436,989		4,179,574
Fund Balance, December 31	\$ 3,526,459	\$ 81,438	\$ 629,180	\$ 227,517	\$ 486,687		\$ 4,951,281

See accompanying Notes to the Financial Statements.

City of Houston

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

Year Ended December 31, 2023

Net change in fund balances - total governmental funds	\$ 771,707
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities the cost of these assets is allocated over their
estimated useful lives on a straight line basis and reported as depreciation
expense. The following is the net effect of these differences.

Capital outlay	879,627
Depreciation	(737,347)
	<u>142,280</u>

Some expenditures reported in the governmental funds represent the use
of current financial resources and were recognized in the Statement of
Activities when incurred.

	168,043
Change in Net Position of Governmental Activities	<u><u>\$ 1,082,030</u></u>

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Net Position – Proprietary Funds

December 31, 2023

	Enterprise Funds		Total Enterprise Funds
	Water and Sewer Fund	Electric Fund	
Assets			
Current Assets			
Cash and cash equivalents	\$ 897,453	\$ 239,861	\$ 1,137,314
Investments	100,489	258,056	358,545
Utilities receivable, net	85,808	305,006	390,814
Sales tax receivable	42,757	-	42,757
Prepaid insurance	49,592	27,810	77,402
Accrued interest receivable	-	322	322
Total Current Assets	1,176,099	831,055	2,007,154
Restricted Assets			
Cash and cash equivalents	757,426	214,107	971,533
Investments	-	200,881	200,881
Total Restricted Assets	757,426	414,988	1,172,414
Net Pension Asset	201,610	148,774	350,384
Property, Plant and Equipment			
Construction in progress	-	430,840	430,840
Land	80,198	55,100	135,298
Water lines and plant	3,274,725	-	3,274,725
Sewer lines and plant	8,431,282	-	8,431,282
Building and improvements	87,324	261,331	348,655
Major moveable equipment	939,427	359,626	1,299,053
Fiber	-	2,298,795	2,298,795
Office equipment	-	8,585	8,585
Electric distribution system	-	1,835,904	1,835,904
Electric transformers	-	1,087,651	1,087,651
Autos and trucks	-	429,640	429,640
	12,812,956	6,767,472	19,580,428
Less accumulated depreciation	(6,376,400)	(2,608,385)	(8,984,785)
Total Property, Plant, and Equipment	6,436,556	4,159,087	10,595,643
Total Assets	8,571,691	5,553,904	14,125,595
Deferred Outflow of Resources			
Deferred pension outflow	69,729	62,816	132,545

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Net Position – Proprietary Funds

December 31, 2023

	Enterprise Funds		Total Enterprise Funds
	Water and Sewer Fund	Electric Fund	
Liabilities			
Current Liabilities			
Accounts payable	2,774	71,582	74,356
Accrued expenses	39,477	14,537	54,014
Deposits payable	71,110	200,881	271,991
Current maturities of long-term debt	95,300	131,370	226,670
Total Current Liabilities	208,661	418,370	627,031
Noncurrent Liabilities			
Revenue bonds payable	616,300	-	616,300
Loans payable	-	195,009	195,009
Compensated absences payable	24,236	28,808	53,044
Total Noncurrent Liabilities	640,536	223,817	864,353
Total Liabilities	849,197	642,187	1,491,384
Deferred Inflows of Resources			
Deferred pension inflow	101,365	7,319	108,684
Unearned revenue	-	214,107	214,107
Total Deferred Inflows of Resources	101,365	221,426	322,791
Net Position			
Net investment in capital assets	5,724,956	4,159,087	9,884,043
Restricted for debt service	686,316	-	686,316
Unrestricted	1,279,586	594,020	1,873,606
Total Net Position	\$ 7,690,858	\$ 4,753,107	\$ 12,443,965

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

Year Ended December 31, 2023

	Enterprise Funds		Total Enterprise Funds
	Water and Sewer Fund	Electric Fund	
Operating Revenues			
Charges for services	\$ 1,055,944	\$ 4,453,514	\$ 5,509,458
Miscellaneous	1,612	34,840	36,452
Total Operating Revenues	1,057,556	4,488,354	5,545,910
Operating Expenses			
Salaries, wages and benefits	506,125	636,085	1,142,210
Materials and supplies	30,207	84,130	114,337
Gas, oil, and tires	9,018	9,338	18,356
Power purchased	-	2,690,878	2,690,878
Repairs and maintenance	42,952	255,646	298,598
Telephone and utilities	12,356	123,880	136,236
Insurance	48,515	24,258	72,773
Travel, meetings, and dues	19,249	20,161	39,410
Economic development	-	25,287	25,287
Professional services	-	20,708	20,708
Depreciation	282,249	256,940	539,189
Miscellaneous	54,033	32,419	86,452
Total Operating Expenses	1,004,704	4,179,730	5,184,434
<i>Operating Income</i>	52,852	308,624	361,476
Nonoperating Revenues (Expenses)			
Interest income	-	17,209	17,209
Interest expense	(16,031)	-	(16,031)
Infrastructure sales tax	232,519	-	232,519
Total Nonoperating Revenues (Expenses)	216,488	17,209	233,697
<i>Income Before Operating Transfers</i>	269,340	325,833	595,173
Operating Transfers			
Operating transfers (out)	(300,000)	(700,000)	(1,000,000)
<i>Net Income (Loss)</i>	(30,660)	(374,167)	(404,827)
Net Position, January 1	7,721,518	5,127,274	12,848,792
Net Position, December 31	\$ 7,690,858	\$ 4,753,107	\$ 12,443,965

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Cash Flows – Proprietary Funds

Year Ended December 31, 2023

	Enterprise Funds		Total Enterprise Funds
	Water and Sewer Fund	Electric Fund	
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,062,413	\$ 4,511,604	\$ 5,574,017
Cash paid to suppliers	(232,579)	(3,384,937)	(3,617,516)
Cash paid to employees	(508,826)	(649,655)	(1,158,481)
Net Cash Provided by Operating Activities	321,008	477,012	798,020
Cash Flows from Noncapital Financing Activities			
Operating transfers	(300,000)	(700,000)	(1,000,000)
Net Cash (Used) by Noncapital Financing Activities	(300,000)	(700,000)	(1,000,000)
Cash Flows from Capital and Related Financing Activities			
Infrastructure sales tax	232,519	-	232,519
Acquisition and construction of capital assets	(9,013)	(356,825)	(365,838)
Disposal of capital assets	134,951	-	134,951
Payment of bond principal	(93,500)	-	(93,500)
Payment of MPUA february relief loan	-	(131,370)	(131,370)
Payment of interest expense	(16,031)	-	(16,031)
Net Cash Provided (Used) by Capital and Related Financing Activities	248,926	(488,195)	(239,269)
Cash Flows from Investing Activities			
Maturity of investments	-	(155,824)	(155,824)
Interest received on investments	-	17,209	17,209
Net Cash Provided (Used) by Investing Activities	-	(138,615)	(138,615)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	269,934	(849,798)	(579,864)
Cash and Cash Equivalents, Beginning of year	1,384,945	1,303,766	2,688,711
Cash and Cash Equivalents, End of year	1,654,879	453,968	2,108,847
Less Restricted Cash and Cash Equivalents	757,426	214,107	971,533
Unrestricted Cash and Cash Equivalents	\$ 897,453	\$ 239,861	\$ 1,137,314

See accompanying Notes to the Financial Statements.

City of Houston

Statement of Cash Flows – Proprietary Funds

Year Ended December 31, 2023

	Enterprise Funds		Total Enterprise Funds
	Water and Sewer Fund	Electric Fund	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 52,852	\$ 308,624	\$ 361,476
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	282,249	256,940	539,189
(Increase) decrease in			
Utilities receivable	3,952	16,663	20,615
Sales tax receivable	(1,550)	-	(1,550)
Prepaid expense	(8,375)	(11,027)	(19,402)
Net pension asset	31,565	49,372	80,937
Deferred pension outflows	773	1,210	1,983
Increase (decrease) in			
Accounts payable	(7,874)	(87,205)	(95,079)
Accrued expenses	1,263	(1,844)	(581)
Utility deposits payable	2,455	6,587	9,042
Deferred pension inflows	(44,581)	(69,733)	(114,314)
Compensated absences	8,279	7,425	15,704
Net Cash Provided by Operating Activities	\$ 321,008	\$ 477,012	\$ 798,020

See accompanying Notes to the Financial Statements.

City of Houston

Notes to the Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies

The City of Houston, Missouri, (the City) was incorporated in May 1873, under the provisions of the State of Missouri. The City operates under a Board of Aldermen-Mayor form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning, and general administrative services. Other services include water and sewer operations, electric service and fiber optic internet service. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that the entities described in the following paragraph meet the above criteria and therefore, have been included as component units in the City's basic financial statements.

Component Units

Industrial Development Authority

The Industrial Development Authority (IDA) is a not-for-profit corporation established by resolution of the Board of Aldermen and formed under RSMo Chapter 349, the Industrial Development Corporations Act. It is designed to develop, advance, encourage and promote commercial, industrial and manufacturing facilities in the City. The IDA Board of Directors is appointed by the Board of Aldermen of the City of Houston, Missouri. The City provides the IDA financial and administrative support.

Community Improvement District

Approved in 2019, the TCMH Community Improvement District was formed under RSMo Section 67.1461, the CID Act, and is governed by a Board of Directors. The CID was established to implement the Five-Year Plan for financing improvements to the Texas County Memorial Hospital. The formation of the District allows for the authorization of an additional ¼% sales tax to make improvements that will benefit the Hospital and the City as a whole. This ¼% sales tax was approved by the voters within the District.

City of Houston

Notes to the Financial Statements

December 31, 2023

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

Government-Wide Financial Statements

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

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

Cemetery Fund: The Cemetery Fund is a special revenue fund used to account for resources restricted, committed or assigned for operating the Cemetery.

City of Houston

Notes to the Financial Statements

December 31, 2023

Park Sales Tax Fund: The Park Sales Tax Fund is a special revenue fund used to account for sales tax revenue restricted, committed or assigned for the Parks Department.

Police Sales Tax Fund: The Police Sales Tax Fund is a special revenue fund used to account for sales tax revenue restricted, committed or assigned for the Police Department.

Fire Sales Tax Fund: The Fire Sales Tax Fund is a special revenue fund used to account for sales tax revenue restricted, committed or assigned for the Fire Department.

The City reports the following major proprietary funds:

Water and Sewer Fund: The Water and Sewer Fund accounts for the activities and capital improvements of the City's water and sewer operations.

Electric Fund: The Electric Fund accounts for the activities and capital improvements of the City's electric and internet service operations.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Electric Plant	40 years
Machinery and equipment	5 years
Water and sewer systems	50 years
Buildings and improvements	20-50 years
Infrastructure	50 years
Office equipment	10 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

City of Houston

Notes to the Financial Statements

December 31, 2023

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the statement of cash flows, cash equivalents are defined as deposits available on demand or with an original maturity of less than three months at the time of purchase.

Investments

Investments in non-negotiable certificates of deposit are carried at cost.

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Compensated Absences

Employees earn vacation time based on the number of years' service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Internal Balances

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of December 31, 2023, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

Net Investment in Capital Assets: This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

City of Houston

Notes to the Financial Statements

December 31, 2023

Unrestricted: This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance: This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance: This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Aldermen – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance: This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to the pension plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has two items that qualify for reporting in this category, deferred amounts relating to unearned

City of Houston

Notes to the Financial Statements

December 31, 2023

revenue and to the retirement plan. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenue and expenses are considered nonoperating.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

2. Cash, Cash Equivalents & Investments

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2023, all bank balances on deposit are entirely insured or collateralized.

Investments of the City as of December 31, 2023, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Cost</u>
Certificates of Deposit	6/30/2024 - 9/2/2025	<u>\$ 2,512,101</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2023, certificates of deposit were not entirely insured or collateralized with securities.

City of Houston

Notes to the Financial Statements

December 31, 2023

Custodial Risk

For an investment, custodial risk is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City's certificates of deposit are entirely insured or collateralized by the trust department of a bank that does not hold the collateralized deposits.

Interest Rate Risk

The City has no formal policy on interest rate risk.

3. Restricted Assets

Business-Type Activities

The 2009 Revenue Bond ordinance and the terms of the agreement with the EPA each established amounts required to be deposited in reserve funds. All required deposits to these funds have been made. The EPA requires that \$28,453 be deposited annually for the life of the facility with no stated maximum. These funds can be used from time to time within the general guidelines for repair, replacement, and operations of the system. During the current year, all required deposits were made. These special reserves consist of cash and investments and are reported in the accompanying balance sheet as restricted cash and investments and restricted net position. Restricted assets also include cash restricted for customer deposits. These restrictions are as follows:

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
Water and Sewer Fund		
2009 Bond Reserves	\$ 107,776	\$ 107,776
Customer Deposits	71,110	-
EPA Funds	578,540	578,540
	<u>757,426</u>	<u>686,316</u>
Electric Fund		
Grant Reserves	214,107	-
Customer Deposits	200,881	-
	<u>\$ 1,172,414</u>	<u>\$ 686,316</u>

City of Houston

Notes to the Financial Statements

December 31, 2023

Governmental Activities

Cash and net position have been restricted in the following funds and activities as follows:

	Restricted Cash	Restricted Net Position / Fund Balance
General Fund		
Court bonds payable	\$ 1,816	\$ -
Airport deposits	2,095	-
	3,911	-
Park Sales Tax Fund		
Park sales tax	543,668	629,180
Police Sales Tax Fund		
Police sales tax	197,588	227,517
Fire Sales Tax Fund		
Fire sales tax	431,104	486,687
	\$ 1,176,271	\$ 1,343,384

4. Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts as follows:

	Accounts Receivable	Allowance	Net Accounts Receivable
Ad Valorem Taxes Receivable			
General Fund	\$ 86,223	\$ 5,400	\$ 80,823
Utilities Receivable			
General Fund	\$ 36,926	\$ -	\$ 36,926
Water and Sewer Fund	86,708	900	85,808
Electric Fund	309,006	4,000	305,006
	\$ 432,640	\$ 4,900	\$ 427,740
Sales Tax Receivable			
General Fund	\$ 256,999	\$ -	\$ 256,999
Park Sales Tax Fund	85,512	-	85,512
Police Sales Tax Fund	29,929	-	29,929
Fire Sales Tax Fund	55,583	-	55,583
Water and Sewer Fund	42,757	-	42,757
	\$ 470,780	\$ -	\$ 470,780
Other Receivables			
General Fund	\$ 44,319	\$ 14,900	\$ 29,419

City of Houston

Notes to the Financial Statements

December 31, 2023

5. Long-Term Liabilities – Governmental Activities

Long-term liabilities for governmental activities at December 31, 2023, consists of one financed purchase and compensated absences payable.

Financed Purchase

On September 30, 2020, the City entered into a cancelable direct borrowing financed purchase with Simmons Bank to finance the construction of the pool house for an amount not to exceed \$1,600,000. The agreement requires ten annual payments beginning on October 1, 2021, that will be calculated based on the amount borrowed up to September 15, 2021. Interest is set at 3.15% thru October 2025 and will be based on the U.S. prime rate minus 0.10% after that, not to be less than 3.15% or more than 10.0%. If the City defaults on the payment of principal or interest, the bank may declare all outstanding amounts immediately due, take possession of the facility purchased with the loan proceeds, or take any other legal action necessary.

The following is a schedule of future minimum payments under the agreement (assuming noncancellation):

Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2024	\$ 95,614	\$ 33,674	\$ 129,288
2025	98,626	30,662	129,288
2026	101,733	27,555	129,288
2027	104,938	24,350	129,288
2028	108,243	21,045	129,288
2029	111,653	17,635	129,288
2030	115,170	14,118	129,288
2031	118,798	10,490	129,288
2032	122,540	6,748	129,288
2033	91,685	2,888	94,573
	<u>\$ 1,069,000</u>	<u>\$ 189,165</u>	<u>\$ 1,258,165</u>

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2023:

	Balance December 31, 2022	New Obligations	Retirements	Balance December 31, 2023	Amount Due Within One Year
Direct Borrowing					
Financed purchase payable	\$ 1,219,599	\$ -	\$ 150,599	\$ 1,069,000	\$ 95,614
Compensated absences payable	91,165	2,365	-	93,530	-
	<u>\$ 1,310,764</u>	<u>\$ 2,365</u>	<u>\$ 150,599</u>	<u>\$ 1,162,530</u>	<u>\$ 95,614</u>

City of Houston

Notes to the Financial Statements

December 31, 2023

6. Long-Term Liabilities – Business-Type Activities

Long-term liabilities for business-type activities consist of the 2009 Direct Loan Program – ARRA revenue bonds, MPUA February Relief Loan, and compensated absences payable.

Revenue Bonds

In 2009 through 2012, the City issued the maximum of \$1,750,000 in Direct Loan Program – American Recovery and Reinvestment Act (ARRA) Combined Waterworks and Sewerage System Revenue Bonds, Series 2009, for the purpose of extending and improving the City’s combined waterworks and sewerage system. The bonds bear interest at 1.41%. The principal and interest payments are due January 1 and July 1 of each year. Bonds may be called at any time for redemption under various provisions outlined in the bond ordinance.

Debt service requirements for the Series 2009 Revenue Bonds are listed in the following table:

Year Ending December 31,	Direct Placement			Total
	Principal	Interest	.25% Admin Fee	
2024	\$ 95,300	\$ 9,699	\$ 1,779	\$ 106,778
2025	97,400	8,348	1,541	107,289
2026	99,500	6,968	1,297	107,765
2027	101,500	5,558	1,048	108,106
2028	103,700	4,118	795	108,613
2029	105,900	2,649	535	109,084
2030	108,300	1,148	271	109,719
	<u>\$ 711,600</u>	<u>\$ 38,488</u>	<u>\$ 7,266</u>	<u>\$ 757,354</u>

MPUA February Relief Loan

In February 2021, the City experienced a polar vortex which had a significant impact on the electric market. During the event, the electric market prices increased from around \$20-\$30/MWh to over \$4,000/MWh. As a result, the City’s share of this borrowing is \$620,319, which is based off of the City’s share of their February energy usage. This loan is interest free and is spread over 48 months. The following is a schedule of future payments required under the agreement:

December 31,	Principal	Interest	Total
2024	\$ 131,370	\$ -	\$ 131,370
2025	131,370	-	131,370
2026	63,639	-	63,639
	<u>\$ 326,379</u>	<u>\$ -</u>	<u>\$ 326,379</u>

City of Houston

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December 31, 2023

The following table is a summary of the changes in the Long-Term Liabilities – Business-Type Activities for the year ended December 31, 2023:

	Balance December 31, 2022	New Obligations	Retirements	Balance December 31, 2023	Amount Due Within One Year
Direct Placement/Borrowing					
2009 Revenue Bonds	\$ 805,100	\$ -	\$ 93,500	\$ 711,600	\$ 95,300
MPUA Loan	457,749	-	131,370	326,379	131,370
Compensated Absences Payable	37,340	15,704	-	53,044	-
	<u>\$ 1,300,189</u>	<u>\$ 15,704</u>	<u>\$ 224,870</u>	<u>\$ 1,091,023</u>	<u>\$ 226,670</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 766,773	\$ -	\$ -	\$ 766,773
Construction in progress	-	509,198	-	509,198
Total Non-Depreciable Capital Assets	<u>766,773</u>	<u>\$ 509,198</u>	<u>\$ -</u>	<u>1,275,971</u>
Depreciable Capital Assets				
Building and improvements	1,758,890	\$ -	\$ -	1,758,890
Machinery and equipment	3,570,499	170,031	-	3,740,530
Infrastructure	20,952,707	200,398	-	21,153,105
Total Depreciable Capital Assets	<u>26,282,096</u>	<u>\$ 370,429</u>	<u>\$ -</u>	<u>26,652,525</u>
Accumulated Depreciation				
Building and improvements	868,095	\$ 31,643	\$ -	899,738
Machinery and equipment	1,934,702	265,420	-	2,200,122
Infrastructure	8,624,515	440,284	-	9,064,799
Less Total Accumulated Depreciation	<u>11,427,312</u>	<u>\$ 737,347</u>	<u>\$ -</u>	<u>12,164,659</u>
Total Depreciable Capital Assets, net	<u>14,854,784</u>			<u>14,487,866</u>
Total Capital Assets - Governmental Activities, net	<u>\$ 15,621,557</u>			<u>\$ 15,763,837</u>

City of Houston
Notes to the Financial Statements
December 31, 2023

Depreciation expense for governmental activities was charged to functions as follows:

Administrative	\$ 49,166
Transportation	3,625
Law and public safety	42,134
Streets and public grounds	273,815
Fire	89,050
Parks and recreation	143,177
Cemetery	2,853
Airport	133,527
	<u>\$ 737,347</u>

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Notes to the Financial Statements

December 31, 2023

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Business-Type Activities				
Water and Sewer				
Non-depreciable Capital Assets				
Land	\$ 80,198	\$ -	\$ -	\$ 80,198
Construction in progress	92,162	-	92,162	-
	172,360	\$ -	\$ 92,162	80,198
Depreciable Capital Assets				
Water lines and plant	3,274,725	\$ -	\$ -	3,274,725
Sewer lines and plant	8,431,282	-	-	8,431,282
Fiber	45,845	-	45,845	-
Building and improvements	87,324	-	-	87,324
Major moveable equipment	930,414	9,013	-	939,427
	12,769,590	\$ 9,013	\$ 45,845	12,732,758
Less Accumulated Depreciation	6,097,207	\$ 282,249	\$ 3,056	6,376,400
Depreciable Capital Assets, net	6,672,383			6,356,358
Electric				
Non-depreciable Capital Assets				
Land	55,100	\$ -	\$ -	55,100
Construction in progress	341,900	88,940	-	430,840
	397,000	\$ 88,940	\$ -	485,940
Depreciable Capital Assets				
Building and improvements	261,331	\$ -	\$ -	261,331
Major moveable equipment	359,626	-	-	359,626
Office equipment	8,585	-	-	8,585
Fiber	2,252,950	45,845	-	2,298,795
Distribution system	1,799,855	36,049	-	1,835,904
Transformers	958,224	129,427	-	1,087,651
Autos and trucks	370,020	59,620	-	429,640
	6,010,591	\$ 270,941	\$ -	6,281,532
Less Accumulated Depreciation	2,348,390	\$ 259,995	\$ -	2,608,385
Depreciable Capital Assets, net	3,662,201			3,673,147
Total Capital Assets - Business-Type Activities, net	\$ 10,903,944			\$ 10,595,643

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Notes to the Financial Statements

December 31, 2023

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Industrial Development Authority				
Non-depreciable Capital Assets				
Land	\$ 94,034	\$ -	\$ -	\$ 94,034
Total Non-depreciable Capital Assets	94,034	\$ -	\$ -	94,034
Depreciable Capital Assets				
Buildings and improvements	3,738,149	\$ -	\$ -	3,738,149
Less Accumulated Depreciation				
Building and improvements	1,589,907	\$ 93,454	\$ -	1,683,361
Depreciable Capital Assets, net	2,148,242	\$ -	\$ -	2,054,788
Total Capital Assets - Industrial Development Authority, net	\$ 2,242,276			\$ 2,148,822

8. Assessed Valuation, Tax Levy, & Legal Debt Margin

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

	2023
Assessed Valuation	
Real estate	\$ 26,906,562
Personal property	5,666,374
Total	\$ 32,572,936
Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.3202

The legal debt margin at December 31, 2023, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,257,294	\$ 3,257,294	\$ 6,514,588
Legal Debt Margin	\$ 3,257,294	\$ 3,257,294	\$ 6,514,588

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

City of Houston

Notes to the Financial Statements

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(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights-of-way, construction, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

9. Employee Pension Plan

General Information about the Pension Plan

Plan Description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	<u>2023 Valuation</u>
Benefit multiplier	2.00% for life
Final average salary	3 years
Member contributions	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2023, the following employees were covered by the benefit terms:

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	35	7	42
Inactive employees entitled to but not yet receiving benefits	9	12	21
Active employees	25	7	32
	<u>69</u>	<u>26</u>	<u>95</u>

City of Houston

Notes to the Financial Statements

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Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. 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 an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. The City's contribution rates are 18.6% (General) and 17.3% (Police) of annual covered payroll.

Net Pension Asset. The City's net pension asset was measured as of June 30, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2023.

Actuarial Assumptions. The total pension liability in the February 28, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation, 2.25% price inflation
Salary increase, General Division	2.75% to 6.75% including wage inflation
Salary increase, Police Division	2.75% to 6.55% including wage inflation
Investment rate of return	7.00% net of investment expense

The healthy retiree mortality tables, for post-retirement mortality, were 115% of the PubG 2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were 115% of the PUBNS 2010 disabled mortality table for males and females. The pre-retirement mortality tables used were 75% of the PubS 2010 employee mortality table for males and females of police, fire, and public safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2023, valuation were based on the results of an actuarial experience study for the period March 1, 2015, through February 29, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

City of Houston

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December 31, 2023

Discount Rate. The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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 payment to determine the total pension asset.

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension (Asset)/Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset)/Liability (a) - (b)
General			
Balance at beginning of year	\$ 6,330,035	\$ 7,048,904	\$ (718,869)
Changes for the year			
Service cost	137,418	-	137,418
Interest	434,560	-	434,560
Difference between expected and actual experiences	(143,068)	-	(143,068)
Change in assumptions	-	-	-
Contributions - employer	-	197,427	(197,427)
Net investment income	-	233,512	(233,512)
Benefits paid, including refunds	(385,684)	(385,684)	-
Administrative expenses	-	(9,588)	9,588
Other changes	-	(127,337)	127,337
<i>Net Changes</i>	<u>43,226</u>	<u>(91,670)</u>	<u>134,896</u>
Balance at end of year	<u>6,373,261</u>	<u>6,957,234</u>	<u>(583,973)</u>
Police			
Balance at beginning of year	<u>1,867,327</u>	<u>1,919,398</u>	<u>(52,071)</u>
Changes for the year			
Service Cost	45,475	-	45,475
Interest	129,482	-	129,482
Difference between expected and actual experiences	55,692	-	55,692
Change in assumption	-	-	-
Contributions - employer	-	63,754	(63,754)
Net investment income	-	66,257	(66,257)
Benefits paid, including refunds	(81,241)	(81,241)	-
Administrative expenses	-	(2,588)	2,588
Other changes	-	602	(602)
<i>Net Changes</i>	<u>149,408</u>	<u>46,784</u>	<u>102,624</u>
Balance at end of year	<u>2,016,735</u>	<u>1,966,182</u>	<u>50,553</u>
Total Plan Balances at End of Year	<u><u>\$ 8,389,996</u></u>	<u><u>\$ 8,923,416</u></u>	<u><u>\$ (533,420)</u></u>

City of Houston

Notes to the Financial Statements

December 31, 2023

The net pension asset has been allocated as follows:

	Net Pension (Asset)/Liability
Governmental Activities	\$ (183,036)
Business-Type Activities	(350,384)
	\$ (533,420)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following present the net pension asset of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
General Division			
Total Pension Liability	\$ 7,112,652	\$ 6,373,261	\$ 5,752,505
Plan Fiduciary Net Position	6,957,234	6,957,234	6,957,234
Net Pension Liability/(Asset)	155,418	(583,973)	(1,204,729)
Police Division			
Total Pension Liability	2,369,495	2,016,735	1,734,568
Plan Fiduciary Net Position	1,966,182	1,966,182	1,966,182
Net Pension Liability/(Asset)	403,313	50,553	(231,614)
Total Net Pension Liability/(Asset)	\$ 558,731	\$ (533,420)	\$ (1,436,343)

City of Houston

Notes to the Financial Statements

December 31, 2023

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

For the year ended December 31, 2023, the City recognized a pension credit of \$209,978. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
General Division			
Differences between expected and actual experience	\$ 30,467	\$ (163,552)	\$ (133,085)
Assumption changes	-	(17,588)	(17,588)
Net difference between projected and actual earnings on pension plan investments	75,924	-	75,924
Contributions subsequent to the measurement date*	114,517	-	114,517
Total General Division	<u>220,908</u>	<u>(181,140)</u>	<u>39,768</u>
Police Division			
Differences between expected and actual experience	106,597	-	106,597
Changes in assumption	-	(5,819)	(5,819)
Net difference between projected and actual earnings on pension plan investments	-	(16,764)	(16,764)
Contributions subsequent to the measurement date*	36,163	-	36,163
Total Police Division	<u>142,760</u>	<u>(22,583)</u>	<u>120,177</u>
Total	<u>\$ 363,668</u>	<u>\$ (203,723)</u>	<u>\$ 159,945</u>

Deferred outflows and inflows have been allocated as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Governmental Activities	\$ 231,123	\$ (95,039)	\$ 136,084
Business-Type Activities	132,545	(108,684)	23,861
	<u>\$ 363,668</u>	<u>\$ (203,723)</u>	<u>\$ 159,945</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized in the net pension asset for the year ending December 31, 2024.

City of Houston

Notes to the Financial Statements

December 31, 2023

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	General Division	Police Division	Total
	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
2024	(97,462)	26,182	(71,280)
2025	(150,912)	(10,479)	(161,391)
2026	123,879	54,824	178,703
2027	49,746	13,487	63,233
Total	<u>\$ (74,749)</u>	<u>\$ 84,014</u>	<u>\$ 9,265</u>

Payable to the Pension Plan

At December 31, 2023, the City had no outstanding amounts of contributions to the pension plan required for the year ended December 31, 2023, therefore no payable was reported.

10. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

11. Claims & Adjustments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2023, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

City of Houston

Notes to the Financial Statements

December 31, 2023

12. Interfund Transfers

Transfers between funds of the City for the year ended December 31, 2023, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,023,200	\$ -
Fire Sales Tax Fund	-	23,200
Water and Sewer Fund	-	300,000
Electric Fund	-	700,000
	<u>\$ 1,023,200</u>	<u>\$ 1,023,200</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

13. Pledged Revenues

The City has pledged future water and sewer customer revenues to repay the 2009 Combined Water and Sewer Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water customer net revenues and are payable through 2030. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$750,088. Principal and interest paid for the current year and total customer net income plus capital improvement sales taxes were \$104,524 and \$567,620 respectively. The City collected \$232,519 in capital improvement sales taxes which were deposited to the Water and Sewer Fund and included as part of total customer net revenues.

14. Unearned Revenue

Unearned revenue relates to ARPA funds that were received from governmental agencies in advance for services or products to be purchased with.

All unearned revenue at December 31, 2023, are as follows:

	<u>Electric Fund</u>
Unearned Revenue	
Receipts from governmental agencies	<u>\$ 214,107</u>

City of Houston

Notes to the Financial Statements

December 31, 2023

15. Commitments

As of December 31, 2023, the City was committed to Jviation, Inc. for the MoDOT Airport project in the amount of \$28,566.

As of December 31, 2023, the City was committed to Fire Training Structures, LLC. for the live fire training facility construction project in the amount of \$502,343.

As of December 31, 2023, the City was committed to Reinhold Electric, Inc. for the MoDOT Airport project in the amount of \$339,457.

Required Supplementary Information

City of Houston

Schedule of Changes in Net Position Liability and Related Ratios

Year Ended December 31, 2023

Missouri Local Government Employees Retirement System (LAGERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fiscal year ended December 31,									
Total Pension Liability									
Service cost	\$ 182,893	\$ 167,343	\$ 140,221	\$ 125,939	\$ 117,590	\$ 136,264	\$ 142,480	\$ 146,244	\$ 139,764
Interest on the total pension liability	564,042	554,267	546,131	530,145	515,944	490,898	475,982	446,202	425,929
Difference between expected and actual experience	(87,376)	(62,457)	434,988	(2,285)	(74,064)	104,885	(19,054)	(99,651)	(25,089)
Changes in assumptions	-	-	(219,307)	-	-	-	-	244,930	-
Benefit payments	(466,925)	(585,371)	(476,475)	(405,414)	(331,288)	(421,933)	(360,368)	(291,091)	(238,151)
<i>Net Change in Net Pension Liability</i>	192,634	73,782	425,558	248,385	228,182	310,114	239,040	446,634	302,453
Total Pension Liability, Beginning	8,197,362	8,123,580	7,698,022	7,449,637	7,221,455	6,911,341	6,672,301	6,225,667	5,923,214
Total Pension Liability, Ending	\$ 8,389,996	\$ 8,197,362	\$ 8,123,580	\$ 7,698,022	\$ 7,449,637	\$ 7,221,455	\$ 6,911,341	\$ 6,672,301	\$ 6,225,667
Plan Fiduciary Net Position									
Contributions - employer	\$ 251,181	\$ 231,633	\$ 214,237	\$ 174,361	\$ 160,805	\$ 164,645	\$ 165,800	\$ 165,930	\$ 165,837
Pension plan net investment income	299,769	6,425	2,201,706	98,209	489,409	854,764	784,413	(22,423)	125,508
Benefit payments	(466,925)	(585,371)	(476,475)	(405,414)	(331,288)	(421,933)	(360,368)	(291,091)	(238,151)
Pension plan administrative expense	(12,176)	(8,616)	(7,596)	(9,541)	(8,204)	(5,974)	(5,477)	(5,550)	(5,871)
Other	(126,735)	(166,872)	154,799	(258,701)	(180,908)	83,253	(56,379)	41,297	26,941
<i>Net Change in Plan Fiduciary Net Position</i>	(44,886)	(522,801)	2,086,671	(401,086)	129,814	674,755	527,989	(111,837)	74,264
Plan Fiduciary Net Position, Beginning	8,968,302	9,491,103	7,404,432	7,805,518	7,675,704	7,000,949	6,472,960	6,584,797	6,510,533
Plan Fiduciary Net Position, Ending	\$ 8,923,416	\$ 8,968,302	\$ 9,491,103	\$ 7,404,432	\$ 7,805,518	\$ 7,675,704	\$ 7,000,949	\$ 6,472,960	\$ 6,584,797
Employer Net Pension (Asset) Liability	\$ (533,420)	\$ (770,940)	\$ (1,367,523)	\$ 293,590	\$ (355,881)	\$ (454,249)	\$ (89,608)	\$ 199,341	\$ (359,130)
Plan fiduciary net position as a percentage of the total pension (asset) liability	106.36%	109.40%	116.83%	96.19%	104.78%	106.29%	101.30%	97.01%	105.77%
Covered payroll	\$ 1,330,856	\$ 1,425,849	\$ 1,222,567	\$ 1,055,733	\$ 988,608	\$ 914,969	\$ 1,145,650	\$ 1,103,742	\$ 1,152,698
Employer's net pension (asset) liability as a percentage of covered payroll	-40.08%	-54.07%	-111.86%	27.81%	-36.00%	-49.65%	-7.82%	18.06%	-31.16%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Houston

Schedule of Contributions

Year Ended December 31, 2023

Missouri Local Government Employees Retirement System (LAGERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 305,638	\$ 282,754	\$ 239,721	\$ 195,711	\$ 168,229	\$ 155,042	\$ 161,634	\$ 164,616	\$ 189,740	\$ 171,744
Contributions in relation to the actuarially determined contribution	293,103	242,752	216,447	195,711	167,487	153,575	161,634	164,617	173,591	154,759
Contribution deficiency (excess)	\$ 12,535	\$ 40,002	\$ 23,274	\$ -	\$ 742	\$ 1,467	\$ -	\$ (1)	\$ 16,149	\$ 16,985
Covered payroll	\$ 1,595,825	\$ 1,362,075	\$ 1,285,764	\$ 1,226,570	\$ 1,064,895	\$ 1,012,108	\$ 1,121,980	\$ 1,160,244	\$ 1,170,321	\$ 1,120,636
Contributions as a percentage of payroll	18.37%	17.82%	16.83%	15.96%	15.73%	15.17%	14.41%	14.19%	14.83%	13.81%

See accompanying Notes to the Schedule of Contributions.

City of Houston

Notes to the Schedule of Contributions

Year Ended December 31, 2023

Valuation Date: February 28, 2023

Notes: The roll-forward of total pension liability from February 28, 2023, to June 30, 2023, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

Amortization Method: A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period: Multiple bases from 13-15 years

Asset Valuation Method: 5-Year smoothed market; 20% corridor

Inflation: 2.75% wage inflation; 2.25% price inflation

Salary Increases: 2.75% to 6.75% for General and 2.75% to 6.55% for Police, including wage inflation

Investment Rate of Return: 7.00%, net of investment expense

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition

Mortality: The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

Other Information: None

City of Houston

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 80,000	\$ 80,000	\$ 100,217	\$ 20,217
Railroad and utility taxes	500	500	-	(500)
Motor vehicle tax	85,000	85,000	106,113	21,113
City sales tax	1,180,000	1,180,000	1,193,131	13,131
Utility franchise tax	25,000	25,000	24,344	(656)
Financial institution tax	-	-	6,158	6,158
Surtax	31,000	31,000	28,704	(2,296)
Miscellaneous taxes	100,000	100,000	182,221	82,221
	1,501,500	1,501,500	1,640,888	139,388
Licenses and Permits				
Occupational licenses	2,500	2,500	3,840	1,340
Permits	2,000	2,000	2,641	641
	4,500	4,500	6,481	1,981
Intergovernmental Revenues				
Federal and state grants	784,500	784,500	451,399	(333,101)
Charges for Services				
Sanitation	362,000	362,000	386,243	24,243
Pool concessions	10,500	10,500	7,109	(3,391)
Pool entry fees	14,500	14,500	14,416	(84)
Park and golf fees	114,600	114,600	139,272	24,672
Airport revenue	35,000	35,000	26,741	(8,259)
Recycling fees	17,000	17,000	18,087	1,087
Transit system collections	50,000	50,000	41,387	(8,613)
	603,600	603,600	633,255	29,655
Fines and Forfeitures				
City court fines	48,000	48,000	52,367	4,367
Penalties	45,000	45,000	51,270	6,270
	93,000	93,000	103,637	10,637
Miscellaneous				
Interest	38,000	38,000	281,069	243,069
Other	70,150	70,150	49,007	(21,143)
	108,150	108,150	330,076	221,926
Total Revenues	3,095,250	3,095,250	3,165,736	70,486

See accompanying Notes to the Budgetary Comparison Schedules.

City of Houston

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administrative	640,150	640,150	642,119	(1,969)
Courts	74,800	74,800	81,314	(6,514)
Transportation	67,700	67,700	85,149	(17,449)
Law and public safety	782,800	782,800	854,745	(71,945)
Streets and public grounds	1,007,950	1,007,950	745,007	262,943
Fire	104,600	104,600	120,237	(15,637)
Parks and recreation	258,730	258,730	279,506	(20,776)
Golf	176,590	176,590	141,056	35,534
Airport	829,100	829,100	358,476	470,624
Sanitation and recycling	386,350	386,350	380,839	5,511
Total Expenditures	4,328,770	4,328,770	3,688,448	640,322
 <i>(Deficit) of Revenues Over Expenditures</i>	 (1,233,520)	 (1,233,520)	 (522,712)	 710,808
 Other Financing Sources				
Operating transfers in	1,245,000	1,245,000	1,023,200	(221,800)
Total Other Financing Sources	1,245,000	1,245,000	1,023,200	(221,800)
 <i>Excess of Revenues and Other Sources Over Expenditures</i>	 11,480	 11,480	 500,488	 489,008
 Fund Balance, January 1	 3,025,971	 3,025,971	 3,025,971	 -
Fund Balance, December 31	\$ 3,037,451	\$ 3,037,451	\$ 3,526,459	\$ 489,008

See accompanying Notes to the Budgetary Comparison Schedules.

City of Houston

Budgetary Comparison Schedule – Cemetery Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Miscellaneous				
Donations	\$ 50	\$ 50	\$ 255	\$ 205
Interest income	10	10	4	(6)
	60	60	259	199
Charges for Services				
Sale of lots	2,000	2,000	5,750	3,750
Total Revenues	2,060	2,060	6,009	3,949
Expenditures				
Current				
Cemetery	20,300	20,300	20,426	(126)
Total Expenditures	20,300	20,300	20,426	(126)
<i>(Deficit) of Revenues Over Expenditures</i>	(18,240)	(18,240)	(14,417)	3,823
Fund Balance, January 1	95,855	95,855	95,855	-
Fund Balance December 31	\$ 77,615	\$ 77,615	\$ 81,438	\$ 3,823

See accompanying Notes to the Budgetary Comparison Schedules.

City of Houston

Budgetary Comparison Schedule – Park Sales Tax Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Sales tax	\$ 408,405	\$ 408,405	\$ 464,910	\$ 56,505
Total Revenues	408,405	408,405	464,910	56,505
Expenditures				
Current				
Park capital improvements	351,000	351,000	246,415	104,585
Total Expenditures	351,000	351,000	246,415	104,585
<i>Excess of Revenues Over Expenditures</i>	57,405	57,405	218,495	161,090
Fund Balance, January 1	410,685	410,685	410,685	-
Fund Balance, December 31	\$ 468,090	\$ 468,090	\$ 629,180	\$ 161,090

See accompanying Notes to the Budgetary Comparison Schedules.

City of Houston

Budgetary Comparison Schedule – Police Sales Tax Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Sales tax	\$ 137,656	\$ 137,656	\$ 162,718	\$ 25,062
Total Revenues	137,656	137,656	162,718	25,062
Expenditures				
Current				
Police capital improvements	137,000	137,000	145,275	(8,275)
Total Expenditures	137,000	137,000	145,275	(8,275)
<i>Excess of Revenues Over Expenditures</i>	656	656	17,443	16,787
Fund Balance, January 1	210,074	210,074	210,074	-
Fund Balance, December 31	\$ 210,730	\$ 210,730	\$ 227,517	\$ 16,787

See accompanying Notes to the Budgetary Comparison Schedules.

City of Houston

Budgetary Comparison Schedule – Fire Sales Tax Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Sales tax	\$ 268,314	\$ 268,314	\$ 302,192	\$ 33,878
Total Revenues	268,314	268,314	302,192	33,878
Expenditures				
Current				
Fire capital improvements	127,700	127,700	229,294	(101,594)
Total Expenditures	127,700	127,700	229,294	(101,594)
 <i>Excess of Revenues Over Expenditures</i>	 140,614	 140,614	 72,898	 (67,716)
Other Financing (Uses)				
Operating transfers (out)	(50,000)	(50,000)	(23,200)	26,800
Total Other Financing (Uses)	(50,000)	(50,000)	(23,200)	26,800
 <i>Excess of Revenues over Expenditures and Other (Uses)</i>	 90,614	 90,614	 49,698	 (40,916)
Fund Balance, January 1	436,989	436,989	436,989	-
Fund Balance, December 31	\$ 527,603	\$ 527,603	\$ 486,687	\$ (40,916)

See accompanying Notes to the Budgetary Comparison Schedules.

City of Houston

Notes to the Budgetary Comparison Schedules

Year Ended December 31, 2023

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late November or early December to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Board, which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Aldermen on approved budget adjustment forms.

Other Reporting Requirements



Independent Auditors' 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*

Honorable Mayor and City Council
City of Houston
Houston, Missouri

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the City of Houston, Missouri, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Houston, Missouri's basic financial statements, and have issued our report thereon dated June 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Houston, Missouri'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 of Houston, Missouri'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 through 2023-003, that we consider to be material weaknesses.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Houston, Missouri'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*.

City of Houston, Missouri's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

KPM CPAs, PC

KPM CPAS, PC
Springfield, Missouri
June 20, 2024

City of Houston

Schedule of Findings and Responses

Year Ended December 31, 2023

Material Weaknesses

2023-001 *Segregation of duties*

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The City currently has personnel in place to handle the accounting needs of the City. There are some mitigating controls in place but it is not possible to have segregation in all areas.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.

2023-002 *Bank Reconciliation Review*

Condition: The City does not currently have a policy that requires a review of bank account reconciliations by a member of management or the governing body outside the accounting cycle.

Criteria: Bank reconciliations are an important internal control within an entity. Instituting and following a policy that requires a review of monthly bank reconciliations by a member of management or the governing body outside the accounting cycle will assist the City in insuring that this key internal control is being done properly in a timely manner.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected and corrected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We continue to recommend that the City institute a policy that designates an employee or member of the governing body outside the accounting cycle to review bank reconciliations on a monthly basis. We further recommend that this policy include a requirement that the reviewer signs and dates the reconciliation upon completion of the review.

Response: The City will evaluate this situation and address it in fiscal year 2024.

City of Houston

Schedule of Findings and Responses

Year Ended December 31, 2023

2023-003 *Bank Statement Review*

Condition: The City does not currently have a policy that requires a review of bank account statements by an employee or member of the governing body other than the person performing the bank reconciliation prior to the occurrence of the reconciliation.

Criteria: A policy that calls for an individual outside the accounting cycle to open and review City bank statements prior to their reconciliation to the general ledger provides a key control to identify any potential irregularities within the statements.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected and corrected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We continue to recommend that the City institute a policy that designates an employee outside the accounting cycle to open and review bank statements on a monthly basis. We further recommend that this policy include a requirement that the reviewer signs and dates each bank statement upon completion of the review.

Response: The City will evaluate this situation and address it in fiscal year 2024.