

CITY OF MARLIN, TEXAS

FINANCIAL STATEMENTS AS OF

SEPTEMBER 30, 2023

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

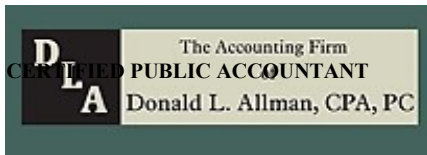
AND SUPPLEMENTARY INFORMATION

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marlin, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Marlin, Texas'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 discreetly presented component unit, each major fund, and the aggregate remaining fund information of the City of Marlin, Texas, as of September 30, 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Marlin, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38 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 September 5, 2024, on our consideration of the City of Marlin, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Marlin, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marlin, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.

Georgetown, TX
September 5, 2024

Management's Discussion and Analysis City of Marlin Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the Administrators of City of Marlin, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2023. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$2,763,095 as a result of this year's operations.
- The General Fund ended the fiscal year with an increase of \$937,908 in net position, and the Proprietary Fund ended the fiscal year with an increase of \$1,825,187.
- The General Fund, Capital Projects Fund, and Other Governmental Funds ended the fiscal year with a \$929,311 increase in Governmental Funds net position.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 through 15). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

**Management's Discussion and Analysis
City of Marlin, Texas**

USING THIS ANNUAL REPORT (continued)

Reporting the City as a Whole

The statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all of the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provide one measure of 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. To fully assess the overall health of the City however you should consider non-financial factors as well, such as changes in the property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

Governmental activities-Most of the City's basic services are reported here, including the police, streets, culture & recreation, and general government. Property taxes, sales taxes and franchise fees finance most of 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 and sewer system activities are reported here.

Management's Discussion and Analysis City of Marlin, Texas

USING THIS ANNUAL REPORT (continued)

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds – The majority 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 identified as the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund is detailed in a reconciliation following the fund financial statements.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$22,601,515 as of September 30, 2023. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position are \$18,279,269 and the general fund net position was \$4,322,246. The following analysis focuses on the net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

Management's Discussion and Analysis
City of Marlin, Texas
Table I
NET POSITION

Table A-1
City's Net Position
September 30, 2023

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 7,281,010	\$ 6,514,686	\$ 11,638,570	\$ 10,464,280	\$ 18,919,580	\$ 16,978,966
Capital Assets, net	1,362,785	1,458,106	23,671,253	23,805,370	25,034,038	25,263,476
	<u>8,643,795</u>	<u>7,972,792</u>	<u>35,309,823</u>	<u>34,269,650</u>	<u>43,953,618</u>	<u>42,242,442</u>
Total Deferred Outflows	611,321	184,416	380,822	114,700	992,143	299,116
Other Liabilities	1,077,160	1,239,959	5,150,990	5,200,855	6,228,150	6,440,814
Long-term Liabilities	3,265,090	3,142,009	11,892,522	12,486,048	15,157,612	15,628,057
Total Liabilities	<u>4,342,250</u>	<u>4,381,968</u>	<u>17,043,512</u>	<u>17,686,903</u>	<u>21,385,762</u>	<u>22,068,871</u>
Total Deferred Inflows	590,620	390,902	367,864	243,365	958,484	634,267
Net Position:						
Net Investment in Cap As	1,953,654	1,965,185	13,247,556	12,666,673	15,201,210	14,631,858
Restricted	592,283	617,027	990,955	820,922	1,583,238	1,437,949
Unrestricted	1,776,309	802,126	4,040,758	2,966,487	5,817,067	3,768,613
Total Net Position	<u>4,322,246</u>	<u>3,384,338</u>	<u>18,279,269</u>	<u>16,454,082</u>	<u>22,601,515</u>	<u>19,838,420</u>

**Management's Discussion and Analysis
City of Marlin, Texas**

Table II

CHANGE IN NET POSITION

**Table A-2
Changes in City's Net Position
September 30, 2023**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for Services	\$ 1,522,765	\$ 1,083,816	\$ 5,541,529	\$ 5,123,412	\$ 7,064,294	\$ 6,207,228
Operating grants/donations	5,367	12,465	-	-	5,367	12,465
Capital grants	-	8,047	-	-	-	8,047
General Revenues						
Ad Valorem Taxes	1,731,499	1,640,963	-	-	1,731,499	1,640,963
Sales Tax	855,239	765,069	-	-	855,239	765,069
Franchise Taxes	221,868	267,696	-	-	221,868	267,696
Hotel / Motel Tax	73,300	50,509	-	-	73,300	50,509
Alcoholic Beverage taxes	3,875	4,244	-	-	4,244	
Interest Income	307	11,194	32,066	28,273	32,373	39,467
Gain/(loss) on Sale	25,239	5,042	-	-	25,239	5,042
Miscellaneous/Other	488,880	17,814	-	-	488,880	17,814
Total Revenues	4,928,339	3,866,859	5,573,595	5,151,685	10,501,934	9,014,300
Program Expenses						
General Government	988,857	852,379	-	-	988,857	852,379
Public Safety	1,602,226	1,641,952	-	-	1,602,226	1,641,952
Highways & Streets	598,130	696,411	-	-	598,130	696,411
Sanitation	743,637	681,648	-	-	743,637	681,648
Culture & Recreational	46,163	140,081	-	-	46,163	140,081
Interest on LT Debt	11,418	20,378	105,922	108,815	117,340	129,193
Water & Sewer	-	-	3,642,486	3,027,658	3,642,486	3,027,658
Total Expenses	3,990,431	4,032,849	3,748,408	3,136,473	7,738,839	7,169,322
Increase (Decrease) in Net Position Before Transfers	937,908	(165,990)	1,825,187	2,015,212	2,763,095	1,849,222
Transfers In (Out)	-	-	-	-	-	-
Change in Net Position	937,908	(165,990)	1,825,187	2,015,212	2,763,095	1,849,222
Net Position - Beginning	3,384,338	3,550,328	16,454,082	14,438,870	19,838,420	17,989,198
Net Position - Ending	4,322,246	3,384,338	18,279,269	16,454,082	22,601,515	19,838,420

Management's Discussion and Analysis City of Marlin, Texas

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

A large portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net position*, \$5,817,067 may be used to meet the government's ongoing obligations to citizens and creditors.

For fiscal year 2023, revenues from governmental activities totaled \$4,928,339. Property tax, sales tax, and charges for services are the largest components of revenues (83 percent respectively).

For fiscal year 2023, expenses for governmental activities totaled \$3,990,431. The City's three largest funded programs are for general government, public safety and sanitation.

Charges for services of the City's business-type activities were \$5,541,529 for the fiscal year ending September 30, 2023. Expenses for the City's business-type activities were \$3,642,486. The City's largest expenses are the purchase of water, sewer, and salaries & related expenses.

THE CITY'S FUNDS

As the City completed the year, its governmental funds, as presented in the balance sheet on page 16, reported a combined fund balance of \$5,610,522 which is higher than last year's total of \$4,681,211.

Management's Discussion and Analysis City of Marlin, Texas

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City had \$3,647,271 invested in a broad range of capital assets, including facilities and equipment and land. See the Capital Assets section of the footnotes for greater detail on capital assets and depreciation.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital Assets (Net of Depreciation)						
Land	\$ 88,541	\$ 88,541	\$ 2,432,711	\$ 2,432,711	\$ 2,521,252	\$ 2,521,252
Construction in Progress	413,976	413,976	1,120,161	797,190	1,534,137	1,211,166
Buildings and Improvements	71,052	73,644	51,831	56,462	122,883	130,106
Infrastructure	417,470	451,026	19,799,236	20,327,016	20,216,706	20,778,042
Machinery, Equipment and Vehicles	371,746	430,919	267,314	191,991	639,060	622,910
Total Capital Assets (Net of Depreciation)	1,362,785	1,458,106	23,671,253	23,805,370	25,034,038	25,263,476
Less Accumulated Depreciation:						
Buildings and Improvements	(2,600,867)	(2,598,275)	-	-	(2,600,867)	(2,598,275)
Infrastructure	(450,486)	(416,930)	(19,087,233)	(15,066,800)	(19,537,719)	(15,483,730)
Machinery, Equipment and Vehicles	(634,547)	(3,011,885)	(960,414)	(1,672,380)	(1,594,961)	(4,684,265)
Total Accumulated Depreciation	(3,685,900)	(6,027,090)	(20,047,647)	(16,739,180)	(23,733,547)	(22,766,270)
Net Capital Assets	\$ (2,323,115)	\$ (4,568,984)	\$ 3,623,606	\$ 7,066,190	\$ 1,300,491	\$ 2,497,206

Debt

At September 30, 2023, the City had \$396,916 in loans and Bonds outstanding.

More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statement starting on page 26.

**Table A-4
City's Long-Term Debt**

	Governmental Activities		Business-type Activities		Total		Change
	2023	2022	2023	2022	2023	2022	2023-2022
Long Term - Debt							
Certificates of Obligation	\$ 2,875,000	\$ 2,935,000	\$ 12,365,000	\$ 13,080,000	\$ 15,240,000	\$ 16,015,000	(775,000)
Notes	18,931	122,446	-	-	18,931	122,446	(103,515)
Capital leases	54,043	77,833	-	-	54,043	77,833	(23,790)
Total Long-Term Debt	\$ 2,947,974	\$ 3,135,279	\$ 12,365,000	\$ 13,080,000	\$ 15,312,974	\$ 16,215,279	\$ (902,305)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered service delivery and system maintenance costs when setting the fiscal year 2022-2023 budget and tax rate. Economic growth in the form of increased sales and investment in business and residential property has contributed to the City's tax base, but increase in costs and infrastructure maintenance needs are expected.

The City adopted a \$7,658,688 budget for fiscal year 2022-2023. It will be funded through property taxes via a \$0.809075 tax rate, which is no increase in the property tax rate. Water and sewer charges, sales and franchise taxes, and other local revenues will help fund the budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maryann Waddle, City Secretary, at City of Marlin, P.O. Box 980, Marlin, Texas 76661.

BASIC FINANCIAL STATEMENTS

CITY OF MARLIN, TEXAS
STATEMENT OF NET POSITION
September 30, 2023
Primary Government

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 1,782,655	\$ 2,910,190	\$ 4,692,845
Receivables (net of allowance for uncollectibles):			
Property Taxes	649,048	-	649,048
Accounts	294,436	2,051,048	2,345,484
Due from Proprietary Fund	320,230	-	320,230
Inventory	-	93,961	93,961
Net Pension asset	-	-	-
Restricted assets:			
Cash and equivalents	592,283	990,955	1,583,238
Cash escrow	3,642,358	5,592,416	9,234,774
Capital assets:			
Non-depreciable	502,517	3,552,872	4,055,389
Depreciable, net	860,268	20,118,381	20,978,649
Total assets	<u>8,643,795</u>	<u>35,309,823</u>	<u>43,953,618</u>
Deferred outflows of resources			
Deferred amounts related to pensions	611,321	380,822	992,143
Total deferred outflows of resources	<u>611,321</u>	<u>380,822</u>	<u>992,143</u>
Liabilities			
Accounts payable	179,198	243,671	422,869
Salaries payable	27,226	-	27,226
Other accrued liabilities	3,872	-	3,872
Due to General Fund	-	320,230	320,230
Deposits	-	180,976	180,976
Unearned Revenues	627,466	3,651,113	4,278,579
Long-term liabilities:			
Due within one year:			
Capital lease payable	25,883	-	25,883
Notes payable	103,515	-	103,515
Bonds payable	110,000	755,000	865,000
Due in more than one year:			
Compensated absences	39,540	24,849	64,389
Capital lease payable	28,160	-	28,160
Bonds payable	2,765,000	11,610,000	14,375,000
Notes payable	18,931	-	18,931
Net pension liability - TMRS	303,487	189,228	492,715
Net OPEB Liability	109,972	68,445	178,417
	-	-	-
Total liabilities	<u>4,342,250</u>	<u>17,043,512</u>	<u>21,385,762</u>
Deferred inflows of resources			
Deferred amounts related to pensions	590,620	367,864	958,484
Total deferred inflows of resources	<u>590,620</u>	<u>367,864</u>	<u>958,484</u>
Net Position			
Net investment in capital assets	1,953,654	13,247,556	15,201,210
Restricted for:			
City Park donation	2,278	-	2,278
Hotel Motel	284,415	-	284,415
Law Enforcement	4,021	-	4,021
Debt Service	160,755	857,748	1,018,503
Court restricted funds	59,184	-	59,184
Special Revenue funds	-	133,207	133,207
Capital Project Repairs	81,630	-	81,630
Unrestricted	1,776,309	4,040,758	5,817,067
Total net position	<u>\$ 4,322,246</u>	<u>\$ 18,279,269</u>	<u>\$ 22,601,515</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MARLIN, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2023

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 988,857	\$ 208,624	\$ 5,367	\$ -	\$ (774,866)	\$ -	\$ (774,866)
Public safety & Court	1,602,226	613,077	-	-	(989,149)	-	(989,149)
Highways and streets	598,130	-	-	-	(598,130)	-	(598,130)
Culture and recreation	46,163	-	-	-	(46,163)	-	(46,163)
Sanitation services	743,637	701,064	-	-	(42,573)	-	(42,573)
Interest on long-term debt	117,340	-	-	-	(11,418)	(105,922)	(117,340)
Total governmental activities	4,096,353	1,522,765	5,367	-	(2,462,299)	(105,922)	(2,568,221)
Business-type activities:							
Water Sewer	3,642,486	5,541,529	-	-	-	1,899,043	1,899,043
Pension/OPEB expenses	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total business-type activities	3,642,486	5,541,529	-	-	-	1,899,043	1,899,043
Total primary government	7,738,839	7,064,294	5,367	-	(2,462,299)	1,793,121	(669,178)
General revenues:							
Taxes							
Property taxes					1,731,499	-	1,731,499
Sales taxes					855,239	-	855,239
Franchise fees					221,868	-	221,868
Hotel/motel occupancy & mixed beverage tax					77,175	-	77,175
Investment earnings					307	32,066	32,373
Gain (loss) on disposal of capital assets					25,239	-	25,239
Miscellaneous					488,880	-	488,880
Transfers					-	-	-
Total general revenues and transfers					3,400,207	32,066	3,432,273
Change in net position					937,908	1,825,187	2,763,095
Net position at beginning of the year, as previously reported					3,384,338	16,454,082	19,838,420
Net position at end of year					\$ 4,322,246	\$ 18,279,269	\$ 22,601,515

The accompanying notes are an integral part of the financial statements.

**CITY OF MARLIN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023**

	General	Debt Service	Certificates of Obligation Series 2019A	Total Nonmajor Funds	Total Governmental Funds
Assets					
Cash and equivalents	\$1,666,146	-	\$ 116,509	\$ -	\$1,782,655
Receivables:	-				
Taxes	649,048	-			649,048
Accounts	288,081			6,355	294,436
Inventory	-				-
Prepaid Expense	-				-
Due from other funds	320,230	-		-	320,230
Due from Component Unit	-			-	-
Restricted assets:					
Cash and equivalents	-	160,755	3,642,358	431,528	4,234,641
Total assets	\$2,923,505	160,755	\$3,758,867	\$437,883	\$7,281,010
Liabilities					
Accounts payable	\$ 178,040			\$ 1,158	\$ 179,198
Salaries/Payroll taxes payable	27,226			-	27,226
Accrued liabilities	3,872	-		-	3,872
Deposits	-			-	-
Due to other funds	(64,913)	-	64,913	5,115	5,115
Total liabilities	144,225	-	64,913	6,273	215,411
Deferred Inflows of Resources					
Unearned revenue - bond			827,611		827,611
Unavailable revenue-property taxes	627,466	-	-	-	627,466
Fund Balances					
Nonspendable:					
Inventory	-				-
City Park donation	-			2,278	2,278
Restricted for:					
Debt service	-	160,755		-	160,755
Contingency	-			-	-
Municipal Court	-			60,143	60,143
Hotel motel	-			284,497	284,497
Law Enforcement	-			3,062	3,062
Committed for:					
Capital Projects	-		2,866,343	81,630	2,947,973
Special Revenue	-		-	-	-
Unassigned reported in:					
General fund	2,151,814			-	2,151,814
Total fund balances	2,151,814	160,755	2,866,343	431,610	5,610,522
Total Liabilities, deferred inflows and Fund Balances	\$2,923,505	160,755	\$3,758,867	\$437,883	\$7,281,010

The accompanying notes are an integral part of the financial statements.

CITY OF MARLIN, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2023

Fund balances - total governmental funds 5,610,522

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	5,048,685	
Less accumulated depreciation	3,685,900	1,362,785

Certain tax receivables are not available to pay for current period expenditures and are not reported in the governmental funds balance sheet. 827,611

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. -

Compensated absences	(39,540)	
Capital lease & Note payable	(176,489)	
Net OPEB Liability	(109,972)	
Bonds Payable	(2,875,000)	
Net Pension Asset-TMRS	(303,487)	
Due to/Due from	5,115	(3,499,373)

Certain deferred inflows and outflows of resources are not reported in the governmental funds.

Deferred outflows related to pensions	611,321	
Deferred inflows related to pensions	(590,620)	20,701

Net position of governmental activities \$ 4,322,246

The accompanying notes are an integral part of the financial statements.

CITY OF MARLIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	General	Debt Service	Certificates of Obligation 2019 A	Total Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes					
Property	\$ 1,837,574			\$ -	\$ 1,837,574
Sales	855,239			-	855,239
Franchise fees	221,868			-	221,868
Hotel/motel occupancy	-			73,300	73,300
Sanitation revenues	701,064			-	701,064
Licenses and permits	208,624			-	208,624
Fines	597,884			26,648	624,532
Investment income	307	-	-	307	614
Grants and contributions	5,367			-	5,367
Miscellaneous	514,119			325	514,444
Total revenues	4,942,046	-	-	100,580	5,042,626
Expenditures					
Current:					
General government	760,887			36,495	797,382
Public safety	1,519,186			8,827	1,528,013
Highways and streets	530,549			-	530,549
Culture and recreation	46,163				46,163
Sanitation expenses	743,637				743,637
Capital outlay	59,257		208,591	-	267,848
Debt service:					
Principal	-	187,305		-	187,305
Interest and fiscal charges	-	11,418	1,000	-	12,418
Total expenditures	3,659,679	198,723	209,591	45,322	4,113,315
Excess (deficiency) of revenues over (under) expenditures	1,282,367	(198,723)	(209,591)	55,258	929,311
Other financing sources (uses)					
Transfers in	-	160,755	214,768	8,472	383,995
Transfers out	(383,995)		-	-	(383,995)
Total other financing sources (uses)	(383,995)	160,755	214,768	8,472	-
Net change in fund balances	898,372	(37,968)	5,177	63,730	929,311
Fund balances at beginning of year	1,253,442	198,723	2,861,166	367,880	4,681,211
Fund balances at end of year	2,151,814	160,755	2,866,343	431,610	5,610,522

The accompanying notes are an integral part of the financial statements.

**CITY OF MARLIN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023**

Net change in fund balances - total governmental funds \$ 929,311

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 and reported as depreciation expense:

Expenditures for capital assets	59,257	
Depreciation of capital assets	(154,578)	(95,321)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and are instead deferred. This amount represents the net change in unavailable tax revenue. 106,075

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Net Pension expense, net OPEB expense, net increase or decrease in deferred outflows of resources, and increase or decrease in deferred inflows of resources are not recognized in governmental funds accounting. (189,462)

Bond, loan and lease principal payments aren't expenses for government wide financial statements 187,305

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not included as expenditures in governmental funds.

		<hr/>
Change in net position of governmental activities		<hr/> \$ 937,908 <hr/>

The accompanying notes are an integral part of the financial statements.

CITY OF MARLIN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2023

	Total		
	Utility Fund	Brushy Creek Fund	Enterprise Funds
Assets			
Current assets			
Cash and equivalents	2,809,207	\$ 100,983	\$ 2,910,190
Accounts receivable (net)	2,051,048	-	\$ 2,051,048
Inventory	93,961	-	\$ 93,961
Restricted Cash	857,748	133,207	\$ 990,955
Cash held in escrow	5,592,416	0	5,592,416
Due from other funds	1,310,548	-	\$ 1,310,548
Total current assets	12,714,928	234,190	12,949,118
Net Pension Asset	-	-	-
Capital assets:			
Land and Construction in Progress	1,140,974	2,411,898	3,552,872
Buildings	185,249	-	185,249
Machinery, Equipment, Vehicles	1,227,728	-	1,227,728
Distribution and collection systems	38,886,469	-	38,886,469
Less: accumulated depreciation	(20,181,065)	-	(20,181,065)
Capital assets, net	21,259,355	2,411,898	23,671,253
Total assets	33,974,283	2,646,088	36,620,371
Deferred outflows of resources			
Less on bond refunding	-	-	-
Deferred amounts related to pensions	380,822	-	380,822
Total deferred outflows of resources	380,822	-	380,822
Liabilities			
Current liabilities:			
Accounts payable	243,671	-	243,671
Other accrued liabilities	-	-	-
Customer deposits payable	180,976	-	180,976
Due to other funds	320,230	1,310,548	1,630,778
Long-term debt, current	755,000	-	755,000
Total current liabilities	1,499,877	1,310,548	2,810,425
Long-term liabilities:			
Unearned Revenue	3,651,113	-	3,651,113
Compensated Absences	24,849	-	24,849
Long-term debt, net	11,610,000	-	11,610,000
Net OPEB Liability	68,445	-	68,445
Net pension liability	189,228	-	189,228
Total long-term liabilities	15,543,635	-	15,543,635
Total liabilities	17,043,512	1,310,548	18,354,060
Deferred inflows of resources			
Deferred amounts related to pensions	367,864	-	367,864
Total deferred inflows of resources	367,864	-	367,864
Net Position			
Net investment in capital assets	12,146,206	1,101,350	13,247,556
Restricted for Debt Service	857,748	-	857,748
Restricted for Infrastructure	-	133,207	133,207
Unrestricted	3,939,775	100,983	4,040,758
Total net position	16,943,729	\$ 1,335,540	\$ 18,279,269

The accompanying notes are an integral part of the financial statements.

CITY OF MARLIN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
For the Year Ended September 30, 2023

	Utility Fund	Brushy Creek Fund	Total
Operating revenues:			
Charges for sales and services:			
Water services	3,952,074	\$ -	3,952,074
Wastewater services	1,362,549	-	1,362,549
Reconnect Fees	-	-	-
Penalties	75,411	-	75,411
Tap fees	6,800	-	6,800
Miscellaneous revenue	128,192	16,503	144,695
Total operating revenues	<u>5,525,026</u>	<u>16,503</u>	<u>5,541,529</u>
Operating expenses:			
Water Billing & Pension	415,065	675	415,740
Water Plant	1,504,826	-	1,504,826
Wastewater Plant	463,483	868	464,351
Public Works	687,245	-	687,245
Depreciation and amortization	570,324	-	570,324
Total operating expenses	<u>3,640,943</u>	<u>1,543</u>	<u>3,642,486</u>
Operating income (loss)	<u>1,884,083</u>	<u>14,960</u>	<u>1,899,043</u>
Nonoperating revenues (expense):			
Investment income	27,058	5,008	32,066
Other income/(expense)	-	-	-
Interest expense	(105,922)	-	(105,922)
Total nonoperating revenues (expense)	<u>(78,864)</u>	<u>5,008</u>	<u>(73,856)</u>
Income (loss) before transfers	<u>1,805,219</u>	<u>19,968</u>	<u>1,825,187</u>
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,805,219</u>	<u>19,968</u>	<u>1,825,187</u>
Net position, beginning of year,	<u>15,138,510</u>	<u>1,315,572</u>	<u>16,454,082</u>
Net position, end of year	<u>16,943,729</u>	<u>\$ 1,335,540</u>	<u>\$ 18,279,269</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MARLIN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2023

	Utility Fund	Brushy Creek Fund	Total
Cash flows from operating activities:			
Cash received from customers	5,746,334	21,511	5,767,845
Cash payments to suppliers for goods and services	(2,061,822)	(1,543)	(2,063,365)
Cash payments to employees for services	(1,016,554)	-	(1,016,554)
Net cash provided by (used in) operating activities	<u>2,667,958</u>	<u>19,968</u>	<u>2,687,926</u>
Cash flows from non-capital financing activities			
Net cash provided by (used in)	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital			
Acquisition of capital assets	(436,207)	-	(436,207)
Other expense	-	-	-
Other income	29,794	-	29,794
Interest paid	(105,922)	-	(105,922)
Principal payments	(715,000)	-	(715,000)
Net cash provided by (used in) capital and related financing activities	<u>(1,227,335)</u>	<u>-</u>	<u>(1,227,335)</u>
Cash flows from investing activities:			
Interest on cash and investments	27,058	-	27,058
Net increase (decrease) in cash and equivalents	<u>1,467,681</u>	<u>19,968</u>	<u>1,487,649</u>
Cash and equivalents, beginning of year	2,199,274	214,222	2,413,496
Cash and equivalents, end of year	<u>3,666,955</u>	<u>\$ 234,190</u>	<u>\$ 3,901,145</u>
Reconciliation of cash and equivalents:			
Unrestricted cash and equivalents	2,809,207	\$ 100,983	\$ 2,910,190
Restricted cash and investments	857,748	133,207	990,955
Total cash and equivalents	<u>3,666,955</u>	<u>\$ 234,190</u>	<u>\$ 3,901,145</u>
	Utility Fund	Brushy Creek Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	1,884,083	\$ 14,960	\$ 1,899,043
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	570,324	-	570,324
Increase (decrease) in cash resulting from changes in assets and liabilities:			
Accounts receivable	221,318	-	221,318
Inventory	0	-	-
Accounts payable	(81,644)	-	(81,644)
Accrued liabilities	(8,221)	-	(8,221)
Due to other funds	-	5,008	5,008
Customer deposits	-	-	-
Net Opeb Liability	(27,754)	-	(27,754)
Deferred outflows	266,122	-	266,122
Net pension liability/asset	(280,769)	-	(280,769)
Deferred inflows related to pensions	124,499	-	124,499
Net cash provided by (used in) operating activities	<u>2,667,958</u>	<u>\$ 19,968</u>	<u>2,687,926</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Marlin, Texas was incorporated as a Home Rule Municipality in 1866, pursuant to the laws of the State of Texas. The City operates under a “Mayor-Council” form of government and provides services authorized by its charter. Presently, these services include police and fire protection, street repair and maintenance, park maintenance, and general administrative services.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City of Marlin (the City).

The City is an independent political subdivision of the State of Texas, governed by a mayor and six council members, one from each precinct, and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City’s financial reporting entity.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* – an amendment of GASB Statement No. 14, and includes all component units of which the City appoints a voting majority of the unit’s board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists,

Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are; that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business type activities include programs supported by water and sewer revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water and sewer payments, police fines, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All inter-fund transactions between governmental funds are eliminated on the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **General Fund** – the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. **Debt Service Fund** – used to account for the resources accumulated and payments made for principal and interest on long-term certificate of obligation debt of governmental funds.
3. **Capital Projects Fund** – used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed proprietary funds). Capital projects are funded primarily by certificates of obligation.

The City reports the following major proprietary fund:

2. **Enterprise Fund** – used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. This fund include the Utility Fund – Water, Sewer and Sanitation Fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows, cash and cash equivalents include all cash and certificates of deposit having an original maturity date of less than three months.

The investment policies of the City are governed by State Statute and an adopted City Investment Policy. Major provisions of the City’s investment policy include: responsibility for investments, authorized investments, bank and security dealer selection and qualifying procedures, safekeeping and custodial procedures, statement of investment objectives and investment reporting procedures. This policy permits investment in U.S. Treasury or U.S. Agency issues, mutual funds, public funds investment pools and repurchase agreements. Statutes require that securities underlying repurchase agreements be limited to federal government securities having a market value of at least 1052 percent of the cost of the repurchase agreement.

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. OTHER ACCOUNTING POLICIES (Continued)

2. Capital Assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$1,000 limit; all infrastructure, purchased after October 1, 2003 (prospective method) is capitalized regardless of cost. The City inventoried its general fixed assets at October 1, 2003 and they are valued at original cost where such cost was known, otherwise, they are valued at estimated historical cost.

Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives.

Buildings 40, Building improvements 40; Vehicle 5; Infrastructure 50; Equipment 10; Water and sewer system 40; Sanitation system – Disposal plant 20;

3. During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payable are, for the most part, eliminated from the Government-Wide Statements of Net Assets and are classified a “due from other funds” or “due to other funds” in the fund financial statements. Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.
4. The City records the purchase of supplies as expenditures/expenses at the time of purchase and does not maintain inventory.
5. In the fund financial statements of the governmental funds, the City can reserve portions of fund equity in the governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriate for expenditure or legally restricted by outside parties for use for a specific purpose.

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
E. OTHER ACCOUNTING POLICIES (Continued)

6. The City allows carryover of vacation only with prior scheduling and approval. Each employee is granted 80 hours of vacation at the employee's anniversary date. Any accrued vacation balance is paid upon termination.

One day of sick pay is accrued for each month of service. Unused sick days can be carried forward, but will not be paid on termination.

All compensated absences are accrued when incurred and are included in the government-wide, and fund financial statements.

7. The preparation of financial statements, in conformity with generally accepted accounting principles, 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
8. The City applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
9. The City is a Home Rule Municipality with a maximum tax rate for all purpose of \$1.50 per 100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas. Within this \$1.50 maximum, there is not legal limit upon the amount of taxes which can be levied for debt service. All taxes due the City on real or personal property are collected by the Falls County Tax Assessor-Collector and may be paid at any time after the tax tolls have been completed and approved, which is not later than October 1. Current taxes become delinquent on February 1 following the tax year. There are various penalties for delinquent taxes; there are not discounts allowed on taxes. The procedure for collecting delinquent taxes is to refer to a collection attorney after sending two delinquent notices and a letter. All properties located within the City limits on January 1 of each year are charged with a special lien in favor of the City from such date for taxes due thereon.
10. Transactions between funds that would be treated as revenues, expenditures, or expenses, if they involved organizations external to the governmental unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Nonrecurring or non-routine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of governmental fund types. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary fund types.

Pensions:

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS.

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

b. Measurement Focus, Basis of Accounting (continued)

consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources:

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGET AND DATA

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council.
4. Budget revisions may be made during the year.
5. The City over-expended its budget in the general fund area as follows:

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investment, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS (Continued)

Additional Contracted Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City’s funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Deposits

As of September 30, 2023, the City’s deposit balances were as follows:

	General Fund	Proprietary Fund	Total Reporting Entity
1. Insured (FDIC)	\$250,000	\$250,000	\$500,000
2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name.	2,374,938	3,901,145	6,276,083
4. Uninsured and uncollateralized			
Total Deposits	2,374,938	\$3,901,145	\$6,276,083
Carrying Amount	2,124,938	\$3,651,145	\$5,776,083

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City’s deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City’s policy is to be collateralized. The City was fully collateralized during the year.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Policies Governing Deposits and Investments

4. Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2009, the City minimized credit risk loss due to default of a security issuer or backer, by: limiting investments to the safest types of securities; limiting Certificates of Deposits that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City’s investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

Concentration Risk – The City’s deposits and investments are not exposed to concentration risk.

B. PROPERTY TAXES

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the factor of the State and each taxing unit. Appraised values are established by the Central Appraisal District (CAD) of Falls County, Texas, through procedures established by the Texas Legislature. The County Tax Assessor Collector bills and collects the City’s property taxes. The County bills the City’s tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April and July (which includes a surcharge for legal costs associated with collection).

In August, delinquent taxes are turned over to the County’s delinquent tax attorneys for final collection or other disposition.

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. PROPERTY TAXES (Continued)

The City has enacted an ordinance providing for the exemption of \$5,000 of the assessed value of residential homesteads, for persons 65 years of age or older, from property taxes. This is provided by Section 1-b of Article 8 of the Constitution of Texas. An exemption of \$12,000 is allowed disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City is permitted, by Article XI, Section 5 of the State of Texas Constitution and the City Charter, to levy property taxes up to \$1.50 per \$100 of assessed valuation for general governmental services. Within the \$1.50 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service. The total Ad Valorem tax levy was \$1,811,961.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds	Proprietary Funds
Receivables:		
Taxes		
Property	\$ 649,048	\$ -
Sales	172,138	
Hotel/motel occupancy	-	
Accounts	122,298	2,165,692
Grants	-	-
Less:		
Allowance for uncollectibles	-	(114,644)
	\$ 943,484	\$ 2,051,048
Net total receivables		

In the proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as determined by management.

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 88,541	\$ -	\$ -	\$ 88,541
Construction in progress	413,976	-	-	413,976
Total capital assets not being depreciated	<u>502,517</u>	<u>-</u>	<u>-</u>	<u>502,517</u>
Capital assets being depreciated				
Buildings and Improvements	2,671,919		-	2,671,919
Infrastructure	867,956	-	-	867,956
Machinery, Equipment, Vehicles	947,036	59,257	-	1,006,293
Total at historical cost	<u>4,486,911</u>	<u>59,257</u>	<u>-</u>	<u>4,546,168</u>
Less: accumulated depreciation for:				
Buildings and Improvements	(2,598,275)	(2,592)	-	(2,600,867)
Infrastructure	(416,930)	(33,556)	-	(450,486)
Machinery, Equipment, Vehicles	(516,117)	(118,430)	-	(634,547)
Total accumulated depreciation	<u>(3,531,322)</u>	<u>(154,578)</u>	<u>-</u>	<u>(3,685,900)</u>
Total capital assets being depreciated, net	<u>955,589</u>	<u>(95,321)</u>	<u>-</u>	<u>860,268</u>
Governmental activities capital assets, net	<u>\$ 1,458,106</u>	<u>\$ (95,321)</u>	<u>\$ -</u>	<u>\$ 1,362,785</u>
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 2,432,711	\$ -	\$ -	\$ 2,432,711
Construction in progress	797,190	322,971	-	1,120,161
Total capital assets not being depreciated	<u>3,229,901</u>	<u>322,971</u>	<u>-</u>	<u>3,552,872</u>
Capital assets being depreciated				
Buildings	185,249			185,249
Machinery, Equipment, Vehicles	1,114,492	113,236	-	1,227,728
Distribution and collection systems	38,886,469	-	-	38,886,469
Total at historical cost	<u>40,186,210</u>	<u>113,236</u>	<u>-</u>	<u>40,299,446</u>
Less accumulated depreciation for:				
Building	(128,787)	(4,631)		(133,418)
Machinery, Equipment, Vehicles	(922,501)	(37,913)	-	(960,414)
Distribution and collection systems	(18,559,453)	(527,780)	-	(19,087,233)
Total accumulated depreciation	<u>(19,610,741)</u>	<u>(570,324)</u>	<u>-</u>	<u>(20,181,065)</u>
Total capital assets being depreciated, net	<u>20,575,469</u>	<u>(457,088)</u>	<u>-</u>	<u>20,118,381</u>
Business-type activities capital assets, net	<u>\$ 23,805,370</u>	<u>\$ (134,117)</u>	<u>\$ -</u>	<u>\$ 23,671,253</u>

General government	\$ 12,784
Public safety	74,213
Highways and streets	67,581
Culture and recreation	-
Total depreciation expense - Governmental activities	<u>\$ 154,578</u>

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT

The City's long-term debt at September 30, 2023 is comprised of the following individual issues:

	Balance 9/30/2022	Additions	Retirements	Balance 9/30/2023	Due Within One Year	Long Term
<u>Governmental activities</u>						
Capital leases	\$ 77,833	\$ -	\$ (23,790)	\$ 54,043	\$ 25,883	\$ 28,160
Notes Payable	122,446	-	(103,515)	18,931	103,515	18,931
Certificates of Obligation	2,935,000	-	(60,000)	2,875,000	110,000	2,765,000
Compensated absences	39,540	-	-	39,540	-	-
Net Pension Liability	-	303,487	-	303,487	-	-
OPEB Liability	154,495	-	(44,523)	109,972	-	-
	<u>\$ 3,329,314</u>	<u>\$ 303,487</u>	<u>\$ (231,828)</u>	<u>\$ 3,236,958</u>	<u>\$ 213,515</u>	<u>\$ 2,783,931</u>
	Balance 9/30/2022	Additions	Retirements	Balance 9/30/2023	Due Within One Year	Long Term
<u>Business-type activities</u>						
Bonds, Notes and other payables						
Certificates of Obligation	13,080,000	-	(715,000)	12,365,000	755,000	11,610,000
Compensated absences	24,848	-	-	24,848	-	-
Net Pension Liability	-	189,228	-	189,228	-	-
OPEB Liability	96,199	-	(27,754)	68,445	-	-
	<u>\$ 13,201,047</u>	<u>\$ 189,228</u>	<u>\$ (742,754)</u>	<u>\$ 12,458,293</u>	<u>\$ 755,000</u>	<u>\$ 11,610,000</u>

The annual requirements to maturity for the above long-term debt are as follows:

Year ending September 30	Business-type Activities				Governmental Activities	
	Bonds Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	755,000	102,748	18,931	1,183	110,000	-
2025	760,000	99,373			110,000	-
2026	770,000	95,761			110,000	-
2027	770,000	91,920			110,000	-
2028-2031	3,120,000	325,879			435,000	-
2032-2036	3,670,000	296,533	-	-	525,000	-
2037-2041	1,545,000	143,816			525,000	-
2042-2046	650,000	7,645			525,000	-
2047-2050	325,000	-	-	-	425,000	-
	<u>12,365,000</u>	<u>1,163,675</u>	<u>18,931</u>	<u>1,183</u>	<u>2,875,000</u>	<u>-</u>

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

The annual requirements to maturity for the above long-term debt are as follows:

Year ending September 30	Governmental Activities-General Fund	
	Capital Lease Payable	
	Principal	Interest
2024	25,883	4,758
2025	28,160	2,480
2026	-	-
2027	-	-
	54,043	7,238

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2023 were as follows:

	Transfers in		
	General Fund	Enterprise	Total
<u>Transfers out</u>			
General	\$ -	\$ -	\$ -
Enterprise	-	-	-
	\$ -	\$ -	\$ -

F. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Marlin participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	129
Active employees	<u>59</u>
Total	241

C. Contributions

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

Employees for the City of Marlin were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Marlin were 5% and 5% in calendar years 2023 and 2022 respectively. The city's contributions to TMRS for the year ended September 30, 2023 were \$220,124 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.0% to 10.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB on account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2016. These assumptions were first used in the December 31, 2016 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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 (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

<i>Changes in the Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2021	\$ 6,090,333	\$ 6,328,788	\$ (238,455)
Changes for the year			
Service Cost	293,556	-	293,556
Interest	410,060	-	410,060
Change of benefit terms	-	-	-
Difference between expected & actual experience	(85,605)	-	(85,605)
Changes of assumptions	-	-	-
Contributions - employer	-	220,124	(220,124)
Contributions - employee	-	126,424	(126,424)
Net investment income	-	(460,480)	460,480
Benefit payments, including refunds of employee contributions	(324,284)	(324,284)	-
Administrative expense	-	(3,998)	3,998
Other charges	-	4,770	(4,770)
Net charges	<u>\$ 293,727</u>	<u>\$ (437,444)</u>	<u>\$ 731,171</u>
Balance at December 31, 2022	<u>\$ 6,384,060</u>	<u>\$ 5,891,344</u>	<u>\$ 492,716</u>

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$1,464,627	\$492,715	\$(284,628)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com

CITY OF MARLIN
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2023

1.	Total Service Cost	\$ 293,556
2.	Interest on the Total Pension Liability	410,060
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(126,424)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(427,193)
6.	Administrative Expense	3,998
7.	Other Changes in Fiduciary Net Position	(4,770)
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(41,759)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	177,535
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	62,804
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	<u>(65,090)</u>
12.	Total Pension Expense	\$ 282,717

CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

	Deferred <u>Outflows of Resources</u>	Deferred <u>Inflows or Resources</u>
Differences between expected and actual economic experience	\$ (41,759)	\$ (43,846)
Difference between projected and actual investment earnings	177,535	\ 710,138
Contributions subsequent to the measurement date	-	-
	<u>\$ 135,776</u>	<u>\$ 666,292</u>
Year ended September 30		
2023	(19,248)	
2024	96,887	
2025	107,589	
2026	177,533	
2027		
Thereafter		
Total	<u>\$ 362,761</u>	

**CITY OF MARLIN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

The City also participates in the cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS); known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is on “other postemployment benefit,” or OPEB.

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

The City’s contributions to the TMRS SDBF for the years ended 2022, 2021, and 2019 were \$1275, \$1275, and \$1,275 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	N/A	N/A	100%
2019	N/A	N/A	100%
2020	0.00%	0.00%	100%
2021	0.00%	(city to provide)	(city to provide)
2022	0.00%	(city to provide)	(city to provide)

**Net Other Post Employment Benefits Liability.
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2015 to December 31, 2019. These assumptions were adopted in 2019 and first used in the December 31, 2019 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2015 through 2019 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF MARLIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2023**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at 12/31/21	\$ 250,694
Changes for the year	
Service Cost	10,872
Interest on Total OPEB liability	4,624
Changes of benefit terms	0
Differences between expected and actual experience	(10,795)
Changes in assumption or other inputs	(67,370)
Benefit payments	<u>(9,608)</u>
Net changes	(72,277)
Total OPEB Liability – end of year	\$178,417
 Total OPEB Liability as a Percentage of Covered Payroll	 7.06%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the current discount rate of 3.05% as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or -1 percentage point higher (4.05%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index’s 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability	\$204,592	\$178,417	\$157,409

**CITY OF MARLIN
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2023**

1. Total Service Cost	\$ 10,872
2. Interest on the Total OPEB Liability	4,624
3. Changes in benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	-
6. Differences between expected and actual experience	(6,026)
7. Changes in assumptions or other inputs	<u>(2,104)</u>
8 Total OPEB Expense	<u>\$ 7,366</u>

CITY OF MARLIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2023

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City’s Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:
 Total covered payroll * retiree Portion of SDB Contribution (Rate)

	Deferred Outflows of Resources	Deferred Inflows or Resources
Difference in expected and actual experience	\$ -	\$ (8,636)
Change in assumptions (actuarial (gains) or losses)	-	(53,896)
Contributions subsequent to the measurement date	-	-
	\$ -	\$ (62,532)

Year ended September 30

2023	(6,450)
2024	(11,532)
2025	(14,845)
2026	(15,633)
2027	-

Thereafter

Total	\$ (48,460)
-------	-------------

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. COMMITMENTS AND CONTINGENCIES (Continued)

As of September 30, 2023, the City of Marlin, Texas did not have any pending litigation or potential, non-disclosed liabilities that would have a material effect on the financial statements.

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City’s risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), and Intergovernmental

**CITY OF MARLIN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2023**

Risk – Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides workers compensation insurance on its employees through TML.

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the plan) with Texas Municipal League Intergovernmental Employee Benefit Program. The City paid premiums for employee coverage; optional dependent coverage is at the employee's expense. The City does not retain any risk of loss on health insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARLIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET TO ACTUAL – GENERAL FUND
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes:				
Property	1,647,865	1,647,865	1,837,574	189,709
Sales	800,000	800,000	855,239	55,239
Franchise fees	187,468	187,468	221,868	34,400
Hotel Motel & Mixed Beverage tax	10,500	10,500	73,300	62,800
Sanitation revenues	683,700	683,700	701,064	17,364
Licenses and permits	89,550	89,550	208,624	119,074
Fines	416,802	416,802	624,532	207,730
Investment income	400	400	614	214
Grants & contributions	-	-	5,367	5,367
Miscellaneous	111,162	111,162	514,444	403,282
Total revenues	<u>3,947,447</u>	<u>3,947,447</u>	<u>5,042,626</u>	<u>1,095,179</u>
Expenditures:				
Current:				
General government	682,113	682,113	797,382	115,269
Public Safety	1,852,861	1,852,861	1,528,013	(324,848)
Streets	711,393	711,393	530,549	(180,844)
Sanitation	677,480	677,480	743,637	66,157
Cultural and recreational	23,600	23,600	46,163	22,563
Capital outlay			267,848	267,848
Debt Service				
Principal	-	-	187,305	187,305
Interest and fiscal charges	-	-	12,418	12,418
Total expenditures	<u>3,947,447</u>	<u>3,947,447</u>	<u>4,113,315</u>	<u>165,868</u>
Excess (deficiency) of revenues & expenses	-	-	929,311	929,311
Other financing sources (uses):				
Contingency	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	929,311	929,311
Fund balances at beginning of year	<u>5,090,124</u>	<u>5,090,124</u>	<u>4,681,211</u>	<u>(408,913)</u>
Fund balances at end of year	\$ 5,090,124	\$ 5,090,124	\$ 5,610,522	\$ 520,398

The accompanying notes are an integral part of the financial statements.

CITY OF MARLIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET TO ACTUAL – PROPRIETARY FUND
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water services	\$ 2,614,741	\$ 2,614,741	3,952,074	\$ 1,337,333
Wastewater services	930,000	930,000	1,362,549	432,549
Reconnect Fees	4,500	4,500	-	(4,500)
Penalties	93,000	93,000	75,411	(17,589)
Tap fees	10,000	10,000	10,100	100
Miscellaneous revenue	59,000	59,000	144,695	85,695
Total operating revenues	<u>3,711,241</u>	<u>3,711,241</u>	<u>5,544,829</u>	<u>1,833,588</u>
Operating expenses:				
Water Billing	324,270	324,270	415,740	91,470
Water Plant	1,623,600	1,623,600	1,504,826	(118,774)
Wastewater Plant	789,371	789,371	464,351	(325,020)
Public Works	974,000	974,000	687,245	(286,755)
Depreciation and amortization	-	-	570,324	570,324
Total operating expenses	<u>3,711,241</u>	<u>3,711,241</u>	<u>3,642,486</u>	<u>(68,755)</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>1,902,343</u>	<u>1,902,343</u>
Nonoperating revenues (expense):	-	-		-
Investment income	-	-	32,066	32,066
Other income/(expense)	-	3,500	-	(3,500)
Interest expense	-	-	(108,815)	(108,815)
Total nonoperating revenues (expense)	<u>-</u>	<u>3,500</u>	<u>(76,749)</u>	<u>(80,249)</u>
Income (loss) before transfers	<u>-</u>	<u>3,500</u>	<u>1,825,594</u>	<u>1,822,094</u>
Change in net position	-	-	1,825,594	
Net position, beginning of year,	16,454,082	16,454,082	16,454,082	-
Net position, end of year	16,454,082	16,454,082	<u>\$ 18,279,676</u>	

City of Marlin
Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

Total pension liability	2016	2017	2018	2019	2020	2021	2022	
1. Service Cost	200,420	212,098	247,653	248,303	242,659	276,513	293,556	-
2. Interest	331,701	342,858	348,383	361,058	371,298	378,391	410,060	-
3. Changes of benefit terms	-	-	-	-	-	-	-	-
4. Difference expected and actual	(8,899)	(124,663)	(46,465)	(95,175)	(200,163)	129,376	(85,605)	-
5. Changes of assumptions	-	-	-	(3,036)	-	-	-	-
6. Benefit payments	(334,343)	(393,191)	(339,272)	(384,953)	(328,297)	(322,973)	(324,284)	-
7. Net change in pension liability	188,879	37,102	210,299	126,197	85,497	461,307	293,727	-
8. Beginning pension liability	4,981,052	5,169,931	5,207,033	5,417,332	5,543,529	5,629,026	6,090,333	-
9. Ending pension liability	5,169,931	5,207,033	5,417,332	5,543,529	5,629,026	6,090,333	6,384,060	-
Plan fiduciary net position								-
1. Contributions - employer	144,545	170,719	197,768	187,995	186,548	206,074	220,124	-
2. Contributions - employee	84,852	90,254	105,205	104,858	104,685	118,574	126,424	-
3. Net investment income	281,475	601,266	(143,771)	713,536	397,121	727,904	(460,480)	-
4. Benefit payments	(334,343)	(393,191)	(339,272)	(384,953)	(328,297)	(322,973)	(324,284)	-
5. Administrative Expense	(3,184)	(3,121)	(2,785)	(4,043)	(2,576)	(3,379)	(3,998)	-
6. Other	(172)	(158)	(146)	(121)	(101)	22	4,770	-
7. Net change in plan	173,173	465,769	(183,001)	617,272	357,380	726,222	(437,444)	-
8. Beginning net position	4,171,973	4,345,146	4,810,915	4,627,914	5,245,186	5,602,566	6,328,788	-
9. Ending Net Position	4,345,146	4,810,915	4,627,914	5,245,186	5,602,566	6,328,788	5,891,344	-
Net pension liability	824,785	396,118	789,418	298,343	26,460	(238,455)	492,716	-
Plan fiduciary net position % of the total pension liability.	84.05%	92.39%	85.43%	94.62%	99.53%	103.92%	92.28%	0.00%
Covered-employee payroll	\$ 1,697,032	\$ 1,805,088	\$ 2,104,100	2,097,152	2,093,694	2,371,471	2,528,474	-
Net pension liability as a % of covered employee payroll	48.60%	21.94%	37.52%	14.23%	1.26%	-10.06%	19.49%	0.00%

The accompanying notes are an integral part of the financial statements.

City of Marlin
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022
Actually Determined Contribution	110,909	128,183	143,763	170,719	200,425	184,343	214,819	220,124
Contributions in relation to the actuarially determined contribution	110,909	128,183	143,763	170,719	200,425	184,343	214,819	220,124
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employee payroll	1,582,155	1,529,623	1,697,032	1,805,088	2,138,843	2,008,090	2,410,873	2,528,474
Contributions as a percentage of covered employee payroll	7.01%	8.38%	8.47%	9.46%	9.37%	9.18%	8.91%	8.71%

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied By 109% and female rates multiplied by 103% and projected on a fully generational basis with Scale BB.

The accompanying notes are an integral part of the financial statements.

Other Information

**City of Marlin
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2023**

	Special Revenue				
	Hotel/Motel Tax	Court Security	Court Technology	Police Seizures	LEOSE
Assets					
Cash and cash equivalents	\$ 278,286	\$ 26,936	\$ 34,221	4,897	1,653
Receivables net	6,355	-	-		
Total assets	\$ 284,641	\$ 26,936	\$ 34,221	4,897	1,653
 Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 144	\$ 99	\$ 915	-	-
Due to/Due from				1,500	1,029
Total liabilities	144	99	915	1,500	1,029
Fund balances:					
Restricted for:					
Municipal Court	-	26,837	33,306	-	
Hotel Motel	284,497	-	-	-	
Law Enforcement				3,397	624
Committed for:				-	
Capital Projects					
Special Revenues		-	-	-	
Total fund balances	284,497	26,837	33,306	3,397	624
Total liabilities and fund balances	\$ 284,641	\$ 26,936	\$ 34,221	4,897	1,653

**City of Marlin
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2023**

	Special Revenue				
	Juvenile Case Management	City Park Donation	Debt Service	Capital Projects	Total
Assets					
Cash and cash equivalents	\$ -	\$ 2,278	\$ 160,755	81,630	590,656
Receivables net	-	-	-		6,355
Total assets	\$ -	\$ 2,278	\$ 160,755	81,630	597,011
Liabilities and fund balances					
Liabilities:					
Cash Deficit	459				459
Accounts payable	\$ 500	\$ -	\$ -	-	1,158
Unearned revenue	-	-	-	-	-
Total liabilities	959	-	-	-	1,158
Fund balances:					
Restricted for:					
Municipal Court	-	-	-	-	60,143
Hotel Motel	-	-	-	-	284,497
Law Enforcement	(959)			-	3,062
City park donation		2,278		-	2,278
Capital Projects				81,630	81,630
Debt Service		-	160,755	-	160,755
Total fund balances	(959)	2,278	160,755	81,630	592,365
Total liabilities and fund balances	\$ -	\$ 2,278	\$ 160,755	81,630	593,523

City of Marlin
Combining Schedule of Revenues, Expenditures and Changes
In Fund Balances
Non-Major Governmental Funds
September 30, 2023

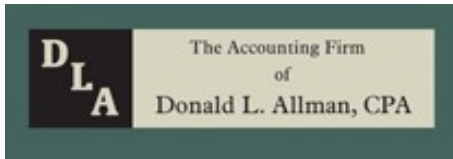
	Special Revenue				
	Hotel/Motel Tax	Court Security	Court Technology	Police Seizures	LEOSE
Revenues:					
Hotel/motel occupancy taxes	\$ 73,300	\$ -	\$ -		
Miscellaneous income	325				
Investment income	-	44	20	168	-
Court fines and fees		5287	14944	600	
police fines	-	-	-	-	-
Total revenues	73,625	5,331	14,964	768	-
Expenditures:					
Current:					
Public Safety & Court	-	765	1,758	-	345
General Government	36,495	-	-	-	-
Total expenditures	36,495	765	1,758	-	345
Excess (deficiency) of revenues					
over (under) expenditures	37,130	4,566	13,206	768	(345)
Transfers In/(Out)			15,164		
Net change in fund balances	37,130	4,566	28,370	768	(345)
Beginning Fund Balances	247,367	22,271	4,936	4,129	969
Ending Fund Balances	\$ 284,497	\$ 26,837	\$ 33,306	4,897	624

City of Marlin
Combining Schedule of Revenues, Expenditures and Changes
In Fund Balances
Non-Major Governmental Funds
September 30, 2023

Special Revenue

	Juvenile Case Management	City Park Maintenance	Debt Service	Capital Projects	Total
Revenues:					
Hotel/motel occupancy taxes	\$ -	\$ -	\$ -		73,300
Miscellaneous income					325
Investment income	14	-	-	61	307
Court fines and fees				-	20,231
Donations			-		-
police fines	6,417	-	-		6,417
Total revenues	<u>6,431</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>100,580</u>
Expenditures:					
Current:					
Debt Service: Principal			187,305		187,305
Debt Service: Interest			11,418		11,418
Public Safety	5,000		-		8,827
General Government	-	-	-	-	36,495
Total expenditures	<u>5,000</u>	<u>-</u>	<u>198,723</u>	<u>-</u>	<u>244,045</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,431</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>(143,465)</u>
Transfers In/(Out)	(4,304)		160,755	-	171,615
Net change in fund balances	(2,873)	-	(37,968)	61	28,150
Beginning Fund Balances	2,873	2,278	198,723	81,569	565,115
Ending Fund Balances	<u>\$ -</u>	<u>\$ 2,278</u>	<u>\$ 160,755</u>	<u>81,630</u>	<u>593,265</u>

COMPLIANCE AND INTERNAL CONTROL SECTION



Donald L. Allman, CPA, PC
4749 Williams Drive, Ste. 322
Georgetown, Texas 78633

CERTIFIED PUBLIC ACCOUNTANT

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

To the Mayor & City Council
City of Marlin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marlin, Texas, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the City of Marlin, Texas' basic financial statements, and have issued our report thereon dated September 5, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Marlin, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marlin, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marlin, Texas' internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not 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

Donald L. Allman, CPA, PC

Georgetown, TX
September 5, 2024

