

CITY OF CLYDE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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Independent Auditor's Report

UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

City Commission
City of Clyde, Texas
P.O. Box 1155
Clyde, Texas 79510

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Clyde, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clyde, Texas as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 28, 2017, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cameron L. Gulley
Certified Public Accountant

July 28, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of City of Clyde, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2016. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 11.

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 11 - 12). 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 13) 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. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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 4. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all 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. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for utility services (program revenues), and revenues provided by the taxpayers or by the State of Texas (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and 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 nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

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

Governmental activities - Most of the City's basic services are reported here, including public safety, maintenance of city streets and alleys, community services, and general administration. Property taxes, franchise and other fees, and state and federal grants finance most of these services.

Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the utility waterworks, sewer, and solid waste funds.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as a debt service fund used to provide sources of revenues to service the City's general obligation bonds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net position of the City's governmental activities decreased from \$2,532,321 to \$2,254,720. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from (\$149,649) to (\$273,253) at September 30, 2016. Current assets decreased by \$117,939 due to cash. Capital assets decreased by \$85,749 due to current year depreciation expense. Long-term liabilities increased a net of \$184,362 due to acquisition of new debt plus increases in accrued net pension liability related to GASB 68. Other liabilities decreased by \$17,013 due to ending accounts payable. Changes in deferred outflows and inflows of resources were related to accruals in accordance with GASB 68 net pension liabilities.

Net position of the business-type activities increased by \$54,060. Current and other assets decreased by \$162,283 due to changes in cash balances. Capital assets decreased by \$233,936 due to current year depreciation expense in excess of asset additions. Long-term liabilities decreased a net of \$417,438 due to current year debt retired offset by increases in accrued net pension liability related to GASB 68. Other liabilities increased by \$9,524 due to ending accounts payable. Changes in deferred outflows and inflows of resources were related to accruals in accordance with GASB 68 net pension liabilities.

Table I
City of Clyde, Texas
Net Position

	Governmental Activities 2016	Governmental Activities 2015	Variance Increase/ (Decrease)
Current and other assets	\$ 204,197	\$ 322,136	\$ (117,939)
Capital assets	3,624,548	3,710,297	(85,749)
Deferred outflows of resources	204,228	73,690	130,538
Total assets and deferred outflows	4,032,973	4,106,123	(73,150)
Long-term liabilities	1,629,382	1,445,020	184,362
Other liabilities	97,087	114,100	(17,013)
Deferred inflows of resources	51,784	14,682	37,102
Total liabilities and deferred inflows	1,778,253	1,573,802	204,451
Net position:			
Net investment in capital assets	2,527,973	2,681,970	(153,997)
Unrestricted	(273,253)	(149,649)	(123,604)
Total net position	\$ 2,254,720	\$ 2,532,321	\$ (277,601)
	Business-type Activities 2016	Business-type Activities 2015	Variance Increase/ (Decrease)
Current and other assets	\$ 1,059,483	\$ 1,221,766	\$ (162,283)
Capital assets	12,650,987	12,884,923	(233,936)
Deferred outflows of resources	80,652	33,411	47,241
Total assets and deferred outflows	13,791,122	14,140,100	(348,978)
Long-term liabilities	11,124,408	11,541,846	(417,438)
Other liabilities	230,191	220,667	9,524
Deferred inflows of resources	11,533	6,657	4,876
Total liabilities and deferred inflows	11,366,132	11,769,170	(403,038)
Net position:			
Net investment in capital assets	1,872,214	1,629,832	242,382
Restricted for debt service	17,599	28,353	(10,754)
Restricted for future construction	483,317	722,351	(239,034)
Unrestricted	51,860	(9,606)	61,466
Total net position	\$ 2,424,990	\$ 2,370,930	\$ 54,060

Table II
City of Clyde, Texas
Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 279,559	\$ 350,576	\$ (71,017)
Operating grants and contributions	36,457	1,264	35,193
General Revenues:			
Maintenance and operations taxes	798,791	766,856	31,935
Sales and hotel/motel taxes	593,595	486,615	106,980
Franchise fees	96,653	124,376	(27,723)
Administrative cost allocation	465,000	284,926	180,074
Investment earnings	980	1,974	(994)
Miscellaneous and transfers	(94,607)	(59,832)	(34,775)
Total Revenues	2,176,428	1,956,755	219,673
Expenses:			
General government	569,062	437,595	(131,467)
Senior citizens	18,558	19,067	509
Cemetery	4,824	6,609	1,785
Library	94,797	91,495	(3,302)
Police and municipal court	861,213	859,245	(1,968)
Fire	99,659	100,992	1,333
Parks and recreation	203,701	155,116	(48,585)
Code enforcement and animal control	183,107	162,979	(20,128)
Street	380,525	361,469	(19,056)
Interest expense on long-term debt	38,583	40,776	2,193
Total Expenses	2,454,029	2,235,343	(218,686)
Increase in Net Position	(277,601)	(278,588)	987
Net Position - beginning of year	2,532,321	3,132,368	(600,047)
Prior period adjustment	0	(321,459)	321,459
Net Position - end of year	\$ 2,254,720	\$ 2,532,321	\$ (277,601)

Table II - Continued
City of Clyde, Texas
Changes in Net Position

	Business-type Activities 2016	Business-type Activities 2015	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 2,449,724	\$ 2,625,246	\$ (175,522)
Operating grants and contributions	17,677	16,070	1,607
Investment income	1,982	4,424	(2,442)
Miscellaneous and transfers	128,161	227,794	(99,633)
Total Revenues	2,597,544	2,873,534	(275,990)
Expenses:			
Water, sewer and sanitation	2,543,484	2,840,463	296,979
Total Expenses	2,543,484	2,840,463	296,979
Increase in Net Position	54,060	33,071	20,989
Net Position - beginning of year	2,370,930	2,483,611	(112,681)
Prior period adjustment	0	(145,752)	145,752
Net Position - end of year	\$ 2,424,990	\$ 2,370,930	\$ 54,060

The City's total revenues of its governmental activities were higher by \$219,673 from last fiscal year. Charges for services were lower this year due to reduced fines revenues, sales taxes were higher this year by approximately 22%, property tax revenues were higher by approximately 4.2%, and administrative cost allocation fees were higher by approximately \$180,000.

Total expenses of the City's governmental activities increased by approximately \$219,000 from the previous year. General government expenses increased by \$131,467 due to a budget re-allocation of payroll costs from other departments within the City. Public recreation and culture expenses were higher due to maintenance and utility costs. Street department expenses were higher due to increased maintenance costs. Other departmental expenses were comparable to the previous year.

The City's total revenues of its business-type activities decreased by \$275,990 from the previous year. Charges for services were lower by approximately \$175,000 due to reduced wholesale water revenues to rural water districts. Miscellaneous revenues were lower this year due to a one-time option fee payment received by the City during last fiscal year.

Total expenses of the business-type activities decreased by approximately \$297,000 from the previous year. Wholesale water purchases were them main contributor to the reduction in expenses. Total wholesale water purchases were nearly 75% less than last year.

THE CITY’S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$89,515, a decrease of \$101,428 in the City’s governmental funds from last year’s fund balance of \$190,943. The decrease in fund balance was due to reductions in fines revenues.

The City Commission did not amend its general fund budget.

The City’s General Fund balance of \$5,297 reported on pages 15 and 36 differs from the projected budgetary fund balance of \$161,019 due to actual revenues being less than budgeted (particularly fines revenues).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the City had \$28,164,345 \$27,887,982 invested in a broad range of capital assets including infrastructure, water treatment and wastewater disposal facilities and equipment and maintenance of City streets and alleys. This amount represents a net increase of \$276,363 from last fiscal year. This year’s major additions included:

Fort Phantom right of way easements	\$ 6,599
Fort Phantom water line engineering fees	59,249
Building improvements	53,340
Police vehicles	157,175
Total	\$ 276,363

Debt

At year-end, the City had \$11,620,575 in notes, bonds and capital leases outstanding as shown below.

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Bonds	\$ 969,000	\$ 1,017,000	\$ 10,530,000	\$ 10,995,000
Notes	121,575	5,092	0	0
Total	\$ 1,090,575	\$ 1,022,092	\$ 10,530,000	\$ 10,995,000

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City should improve its financial health during the 2016-17 fiscal year as a result of rainfalls which have filled the City’s lake to capacity. Governmental budgeted revenues are approximately \$2.44 million and expenditures are approximately \$2.41 million with a budgeted surplus of approximately \$30,000. The utility fund has a combined budgeted surplus of approximately \$120,000 for the 2016-17 fiscal year. Therefore, the ending fund balance and net position of the City’s respective governmental and utility funds should approximate \$40,000 and \$2,540,000, respectively, at September 30, 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Clyde, Texas, P. O. Box 1155, Clyde, Texas 79510.

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BASIC FINANCIAL STATEMENTS

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CITY OF CLYDE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 363,671	\$ 37,251	\$ 400,922	\$ 343,589
Receivables (net of allowance for uncollectibles):				
Property taxes	23,595		23,595	
Accounts receivable		222,639	222,639	
Other	49,217		49,217	13,852
Internal balances	(232,286)	232,286	0	
Restricted assets:				
Revenue bond covenant accounts		500,915	500,915	
Deferred charges		66,392	66,392	
Notes receivable				88,799
Capital assets:				
Land	326,528	302,754	629,282	17,143
Buildings and improvements	1,926,763	1,218,362	3,145,125	
Machinery and equipment	1,616,314	686,386	2,302,700	
Infrastructure	5,114,227	16,973,011	22,087,238	
Less: accumulated depreciation	(5,359,284)	(6,529,526)	(11,888,810)	
Total capital assets	<u>3,624,548</u>	<u>12,650,987</u>	<u>16,275,535</u>	<u>17,143</u>
Total assets	<u>3,828,745</u>	<u>13,710,470</u>	<u>17,539,215</u>	<u>463,383</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to TMRS	<u>204,228</u>	<u>80,652</u>	<u>284,880</u>	
Total deferred outflows of resources	<u>204,228</u>	<u>80,652</u>	<u>284,880</u>	<u>0</u>
LIABILITIES				
Accounts payable	73,148	137,801	210,949	
Accrued liabilities and other payables	17,939	7,766	25,705	
Accrued interest payable	6,000	84,624	90,624	
Due to other governments			0	
Notes payable - current	28,669		28,669	
Bonds payable - current	49,000	260,000	309,000	
Noncurrent liabilities:				
Notes payable - due in more than one year	92,906		92,906	
Bonds payable - due in more than one year	920,000	10,434,149	11,354,149	
Accrued compensable absences payable	42,096	9,910	52,006	
Customer deposits		195,138	195,138	
Net pension liability related to TMRS	496,711	225,211	721,922	
Total liabilities	<u>1,726,469</u>	<u>11,354,599</u>	<u>13,081,068</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred outflows related to TMRS	<u>51,784</u>	<u>11,533</u>	<u>63,317</u>	
Total deferred inflows of resources	<u>51,784</u>	<u>11,533</u>	<u>63,317</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	2,527,973	1,872,214	4,400,187	17,143
Restricted for debt service		17,599	17,599	
Restricted for future construction		483,317	483,317	
Unrestricted	(273,253)	51,860	(221,393)	446,240
Total net position	<u>\$ 2,254,720</u>	<u>\$ 2,424,990</u>	<u>\$ 4,679,710</u>	<u>\$ 463,383</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Totals	
		Charges for Services	Operating Grants & Contributions			(Memo Only) Primary Govt	Component Unit
Governmental activities:							
General government	\$ 569,062	\$ 5,415	\$	\$ (563,647)	\$	\$ (563,647)	\$
Senior citizens	18,558			(18,558)		(18,558)	
Cemetery	4,824	6,400	20	1,596		1,596	
Library	94,797			(94,797)		(94,797)	
Police	661,755		36,437	(625,318)		(625,318)	
Municipal court	199,458	246,920		47,462		47,462	
Fire	99,659			(99,659)		(99,659)	
Parks and recreation	131,330	7,864		(123,466)		(123,466)	
Clyde lake	72,371			(72,371)		(72,371)	
Code enforcement	42,923	900		(42,023)		(42,023)	
Animal control	140,184	12,060		(128,124)		(128,124)	
Street	380,525			(380,525)		(380,525)	
Interest expense on long-term debt	38,583			(38,583)		(38,583)	
Total governmental activities	<u>2,454,029</u>	<u>279,559</u>	<u>36,457</u>	<u>(2,138,013)</u>	<u>0</u>	<u>(2,138,013)</u>	
Business-type activities:							
Water, sewer and sanitation	2,399,453	2,449,724			50,271	50,271	
Abilene water line	144,031		17,677		(126,354)	(126,354)	
Total business-type activities	<u>2,543,484</u>	<u>2,449,724</u>	<u>17,677</u>	<u>0</u>	<u>(76,083)</u>	<u>(76,083)</u>	
Total primary government	<u>\$ 4,997,513</u>	<u>\$ 2,729,283</u>	<u>\$ 54,134</u>	<u>(2,138,013)</u>	<u>(76,083)</u>	<u>(2,214,096)</u>	
Component units:							
Clyde Economic Development Corporation	133,147						(133,147)
Total component units	<u>\$ 133,147</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>(133,147)</u>
General revenues:							
Property taxes				798,791		798,791	
Sales taxes				593,595		593,595	197,865
Franchise taxes				96,653		96,653	
Administrative cost allocation				465,000		465,000	
Investment income				980	1,982	2,962	426
Other revenues				30,393	3,161	33,554	471
Transfers				(125,000)	125,000	0	
Total general revenues				<u>1,860,412</u>	<u>130,143</u>	<u>1,990,555</u>	<u>198,762</u>
Changes in net position				(277,601)	54,060	(223,541)	65,615
Beginning net position				2,532,321	2,370,930	4,903,252	397,768
Beginning net position adjustment						0	
Ending net position				<u>\$ 2,254,720</u>	<u>\$ 2,424,990</u>	<u>\$ 4,679,711</u>	<u>\$ 463,383</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 279,453	\$ 84,218	\$ 363,671
Receivables (net of allowance for uncollectibles):			
Property taxes	23,595		23,595
Other	49,217		49,217
Total assets	<u>\$ 352,265</u>	<u>\$ 84,218</u>	<u>\$ 436,483</u>
LIABILITIES			
Accounts payable	\$ 73,148	\$	\$ 73,148
Accrued liabilities and other payables	17,939		17,939
Due to other funds	232,286		232,286
Total liabilities	<u>323,373</u>	<u>0</u>	<u>323,373</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	23,595		23,595
Total deferred inflows of resources	<u>23,595</u>	<u>0</u>	<u>23,595</u>
FUND BALANCES			
Unassigned	5,297	84,218	89,515
Total fund balances	<u>5,297</u>	<u>84,218</u>	<u>89,515</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 352,265</u>	<u>\$ 84,218</u>	<u>\$ 436,483</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

		Primary Government
Total Fund Balances - Governmental Funds	\$	89,515
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$8,773,317 and the accumulated depreciation was \$5,063,020. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		2,681,970
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.		142,032
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(296,264)
4 Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$496,711), a deferred resource inflow in the amount of \$(51,784) and a deferred resource outflow in the amount of \$204,228. This resulted in an increase/(decrease) in net position.		(344,267)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(18,266)
Net Position of Governmental Activities	\$	2,254,720

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUE:			
Taxes:			
General property taxes	\$ 786,291	\$	\$ 786,291
General sales and use taxes	593,595		593,595
Other taxes - franchise taxes	96,653		96,653
Penalty and interest on delinquent taxes	12,233		12,233
Licenses and permits	13,279		13,279
Administrative cost allocation	465,000		465,000
Charges for services	12,960	6,400	19,360
Fines	246,920		246,920
Grants	35,344	1,113	36,457
Other revenue	30,393		30,393
Investment earnings	809	171	980
Total revenues	<u>2,293,477</u>	<u>7,684</u>	<u>2,301,161</u>
EXPENDITURES:			
General government	556,192		556,192
Senior citizens	16,046		16,046
Cemetery	1,383	600	1,983
Library	141,972		141,972
Police	766,836		766,836
Police seizure training		860	860
Municipal court	198,359		198,359
Fire	54,227		54,227
Parks and recreation	103,353		103,353
Clyde lake	71,524		71,524
Code enforcement	42,248		42,248
Animal control	137,875		137,875
Streets	215,779		215,779
Debt service:			
Principal	53,092		53,092
Interest and fiscal charges	38,818		38,818
Total expenditures	<u>2,397,704</u>	<u>1,460</u>	<u>2,399,164</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(104,227)</u>	<u>6,224</u>	<u>(98,003)</u>
OTHER FINANCING RESOURCES (USES):			
Transfers in (out)	(125,000)		(125,000)
Loan proceeds	121,575		121,575
Total other financing resources (uses)	<u>(3,425)</u>	<u>0</u>	<u>(3,425)</u>
NET CHANGE IN FUND BALANCES	(107,652)	6,224	(101,428)
Fund balances - beginning	112,949	77,994	190,943
Prior period adjustment			0
Fund balances - ending	<u>\$ 5,297</u>	<u>\$ 84,218</u>	<u>\$ 89,515</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Primary Government
Net change in fund balances - total governmental funds	\$ (101,428)
1 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.	142,032
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(296,264)
3 The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of \$72,258. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(73,693). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by (\$20,654). The result of these changes is to increase/(decrease) the change in net position.	(22,089)
3 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	148
Change in net position of governmental activities	\$ (277,601)

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Enterprise Funds		
	Water, Sewer & Sanitation Fund	Abilene Water Line Fund	Total Enterprise Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 30,742	\$ 6,509	\$ 37,251
Accounts receivable (net of allowance for uncollectibles)	222,639		222,639
Due from other funds	232,286		232,286
Total current assets	<u>485,667</u>	<u>6,509</u>	<u>492,176</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Revenue bond covenant cash balances	500,915		500,915
Deferred charges	66,392		66,392
Capital assets:			
Land	302,754		302,754
Buildings and improvements	1,218,362		1,218,362
Machinery and equipment	679,450	6,936	686,386
Infrastructure	15,420,500	1,552,511	16,973,011
Less: accumulated depreciation	<u>(5,604,837)</u>	<u>(924,689)</u>	<u>(6,529,526)</u>
Total capital assets	<u>12,016,229</u>	<u>634,758</u>	<u>12,650,987</u>
Total noncurrent assets	<u>12,583,536</u>	<u>634,758</u>	<u>13,218,294</u>
Total assets	<u>13,069,203</u>	<u>641,267</u>	<u>13,710,470</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to TMRS	80,652		80,652
Total deferred outflows of resources	<u>80,652</u>	<u>0</u>	<u>80,652</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	135,120	2,681	137,801
Accrued wages and withholdings	3,938	3,828	7,766
Accrued interest payable	84,624		84,624
Revenue bonds payable	260,000		260,000
Total current liabilities	<u>483,682</u>	<u>6,509</u>	<u>490,191</u>
Noncurrent liabilities:			
Revenue bonds payable	10,434,149		10,434,149
Accrued compensable absences payable	9,910		9,910
Customer deposits	195,138		195,138
Net pension liability related to TMRS	225,211		225,211
Total noncurrent liabilities	<u>10,864,408</u>	<u>0</u>	<u>10,864,408</u>
Total liabilities	<u>11,348,090</u>	<u>6,509</u>	<u>11,354,599</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred outflows related to TMRS	11,533		11,533
Total deferred inflows of resources	<u>11,533</u>	<u>0</u>	<u>11,533</u>
NET POSITION:			
Net investment in capital assets	1,237,456	634,758	1,872,214
Restricted for debt service	17,599		17,599
Restricted for future construction	483,317		483,317
Unrestricted net position	51,860		51,860
Total net position	<u>\$ 1,790,232</u>	<u>\$ 634,758</u>	<u>\$ 2,424,990</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Funds		Total Enterprise Funds
	Water, Sewer & Sanitation Fund	Abilene Water Line Fund	
OPERATING REVENUES:			
Charges for sales and services:			
Water sales - retail	\$ 1,453,090	\$	\$ 1,453,090
Water sales - wholesale	126,782		126,782
Sewer charges	460,967		460,967
Sanitation charges	358,981		358,981
Penalties on accounts	45,686		45,686
Other services	4,218		4,218
Intergovernmental revenue		17,677	17,677
Other revenue	3,161		3,161
Total operating revenues	<u>2,452,885</u>	<u>17,677</u>	<u>2,470,562</u>
OPERATING EXPENSES:			
Personnel services - salaries and wages	160,832	39,530	200,362
Personnel services - employee benefits	80,562	15,123	95,685
Purchased professional and technical services	31,742		31,742
Administrative cost allocation	427,000	4,000	431,000
Operations, maintenance and repairs	248,529	12,973	261,502
General insurance	33,433		33,433
Supplies	28,163		28,163
Utilities	80,038	19,478	99,516
Water purchases	129,096		129,096
Landfill expenses	374,660		374,660
Depreciation	248,033	51,750	299,783
Bad debts	20,745		20,745
Other expenses	18,630	1,177	19,807
Total operating expenses	<u>1,881,463</u>	<u>144,031</u>	<u>2,025,494</u>
Operating income	<u>571,422</u>	<u>(126,354)</u>	<u>445,068</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	1,982		1,982
Interest expense and financing costs	(517,990)		(517,990)
Total non-operating revenues (expenses)	<u>(516,008)</u>	<u>0</u>	<u>(516,008)</u>
Income before transfers	<u>55,414</u>	<u>(126,354)</u>	<u>(70,940)</u>
TRANSFERS IN (OUT):			
Transfers in	125,000	74,604	199,604
Transfers out	(74,604)		(74,604)
Net transfers in (out)	<u>50,396</u>	<u>74,604</u>	<u>125,000</u>
Change in net position	105,810	(51,750)	54,060
Net position - beginning	1,684,422	686,508	2,370,930
Prior period adjustment			0
Net position - ending	<u>\$ 1,790,232</u>	<u>\$ 634,758</u>	<u>\$ 2,424,990</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Funds		
	Water, Sewer & Sanitation Fund	Abilene Water Line Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 2,439,285	\$	\$ 2,439,285
Cash payments to employees for services	(233,599)	(55,734)	(289,333)
Cash payments to other suppliers for goods and services	(1,376,246)	(39,341)	(1,415,587)
Other operating cash receipts (payments)	<u>7,379</u>	<u>17,677</u>	<u>25,056</u>
Net cash provided (used) by operating activities	<u>836,819</u>	<u>(77,398)</u>	<u>759,421</u>
Cash flows from non-capital financing activities:			
Proceeds from property taxes for debt service	125,000		125,000
Proceeds from increased customer deposits	5,248		5,248
Net interfund transfers	(74,604)	74,604	0
Net interfund borrowing activity	<u>(92,547)</u>		<u>(92,547)</u>
Net cash used by non-capital financing activities	<u>(36,903)</u>	<u>74,604</u>	<u>37,701</u>
Cash flows from capital and related financing activities:			
Liquidation of restricted investments for debt service and construction	249,789		249,789
Acquisition of capital assets	(65,847)		(65,847)
Debt service principal payments	(473,491)		(473,491)
Debt service interest and fiscal agent fee payments	<u>(517,678)</u>		<u>(517,678)</u>
Net cash used for capital and related financing activities	<u>(807,227)</u>	<u>0</u>	<u>(807,227)</u>
Cash flows from investing activities:			
Interest and dividends on investments	<u>1,982</u>		<u>1,982</u>
Net cash provided by investing activities	<u>1,982</u>	<u>0</u>	<u>1,982</u>
Net increase (decrease) in cash and cash equivalents	(5,329)	(2,794)	(8,123)
Cash and cash equivalents - beginning of year	36,071	9,303	45,374
Cash and cash equivalents - end of year	<u>\$ 30,742</u>	<u>\$ 6,509</u>	<u>\$ 37,251</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 571,422	\$ (126,354)	\$ 445,068
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	248,033	51,750	299,783
Net change in net pension liability and related deferred resources	10,014		
Change in assets and liabilities:			
Decrease (increase) in receivables	(6,221)		(6,221)
Increase (decrease) in accounts payable	15,790	(1,713)	14,077
Increase (decrease) in accrued wages payable	<u>(2,219)</u>	<u>(1,081)</u>	<u>(3,300)</u>
Net cash provided (used) by operating activities	<u>\$ 836,819</u>	<u>\$ (77,398)</u>	<u>\$ 749,407</u>

The accompanying notes are an integral part of this statement.

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CITY OF CLYDE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2016

I. Summary of significant accounting policies

The City of Clyde, Texas (the "City") is a general law city in which citizens elect the mayor at large and five council members. The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting entity

For financial reporting purposes, the City includes all funds and account groups for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity."

The accompanying financial statements present the City's primary government and component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The Clyde Economic Development Corporation (the "CEDC") is a non-profit corporations specifically governed by sections 4A and 4B of the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Art 5190.6. The CEDC was organized exclusively for the purposes of benefitting and accomplishing public purposes of the City by promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. The CEDC does not meet the criteria for blending and is, therefore, reported discretely using a government fund type.

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 and its component unit(s) nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise fees, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates 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 fees charged for use of the public swimming pool, fines, sanitation charges, 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. Examples include grants under the U.S. Department of Agriculture Rural Development Program. 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.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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, as do the proprietary fund and fiduciary fund financial statements. 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 increases 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 unmatured 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.

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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

2. **Water, Sewer and Sanitation Enterprise Fund** - The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

3. **Abilene Water Line Enterprise Fund** - The City's activities of water distribution through the water line built from Abilene to provide water for the cities of Clyde and Baird.

The City reports the following non-major governmental funds:

4. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (the "TMRS") and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported to 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.

F. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, and water/sewer pipe fittings. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. The City's policy does permit employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City and the component units is depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	50
Building Improvements	Various
Infrastructure	30-100
Vehicles	2-15
Equipment	3-10
Technology Equipment	3

6. Governmental fund balances are characterized into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

City Policies Concerning Fund Balances are as follows:

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

When it is appropriate for fund balance to be assigned, only the City Council has the authority to assign fund balance by formal council action.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At September 30, 2016, none of the City's fund balances were committed or assigned.

II. Stewardship, compliance, and accountability

A. Budgetary data

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. In August, the City Council adopts annual fiscal year budgets for specified City funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

B. Excess of expenditures over appropriations by more than \$2,500:

Library	(\$ 49,194)	overage due to roof replacement not budgeted
Police	(\$182,528)	overage due to financed vehicle purchases not budgeted
Fire	(\$ 7,055)	overage due to supplies and equipment expenditures more than planned
Parks and recreation	(\$ 18,537)	overage due to utilities being more than expected
Code enforcement	(\$ 30,328)	overage due to payroll costs not budgeted

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

City Policies and Legal and Contractual Provisions Governing 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 District to adopt, implement, and publicize an investment policy. 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.

As of September 30, 2016, the City had the following investments.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10
None					
Total					

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2016, the City's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This included securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

B. Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent taxes receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund balances and transfers

Interfund balances are as follows:

Fund	Due From	Due To	Purpose	Current?
General Fund		\$232,286	Operating activities	Yes
Water, Sewer & Sanitation Fund	\$232,286		Operating activities	Yes
Total	\$232,286	\$232,286		

Transfers are as follows:

Fund	Transfer In	Transfer Out	Purpose
Water, Sewer & Sanitation Fund	\$125,000		Allocation of tax for bond payments
General Fund		\$125,000	Allocation of tax for bond payments
Total	\$125,000	\$125,000	

E. Disaggregation of receivables and payables

Receivables at September 30, 2016 were as follows:

	Property Taxes	Accounts	Other	Total Receivables
Governmental Activities:				
General Fund	\$23,595		\$49,217	\$72,812
Total Governmental Activities	\$23,595		\$49,217	\$72,812
Business-type Activities:				
Water, Sewer & Sanitation Fund		\$222,639		\$222,639
Total Business-type Activities		\$222,639		\$222,639

Payables at September 30, 2016 were as follows:

	Accounts	Salaries and Benefits	Interest	Total Payables
Governmental Activities:				
General Fund	\$73,148	\$17,939	\$6,000	\$97,087
Total Governmental Activities	\$73,148	\$17,939	\$6,000	\$97,087
Business-type Activities:				
Water, Sewer & Sanitation Fund	\$137,801	\$7,766	\$84,624	\$230,191
Total Business-type Activities	\$137,801	\$7,766	\$84,624	\$230,191

F. Capital asset activity

Capital asset activity for the City for the year ended September 30, 2016, was as follows:

	Balance 9/30/15	Additions	Deletions	Balance 9/30/16
Governmental activities:				
Land	\$ 326,528			\$ 326,528
Buildings and improvements	1,873,423	\$ 53,340		1,926,763
Machinery and equipment	1,459,139	157,175		1,616,314
Infrastructure	5,114,227			5,114,227
Totals	8,773,317	210,515		8,983,832
Less accum depreciation for:				
Buildings and improvements	536,737	43,039		579,776
Machinery and equipment	1,324,553	81,558		1,406,111
Infrastructure	3,201,730	171,667		3,373,397
Total accum depreciation	5,063,020	296,264		5,359,284
Governmental activities capital assets, net	\$3,710,297	\$ (85,749)	\$ 0	\$3,624,548

	Balance 9/30/15	Additions	Deletions	Balance 9/30/16
Business-type activities:				
Land	\$ 296,156	\$ 6,599		\$ 302,755
Buildings and improvements	1,218,362			1,218,362
Machinery and equipment	686,385			686,385
Infrastructure	16,913,762	59,249		16,973,011
Totals	19,114,665	65,848		19,180,513
Less accum depreciation for:				
Buildings and improvements	660,242	24,300		684,542
Machinery and equipment	543,775	36,813		580,588
Infrastructure	5,025,725	238,670		5,264,395
Total accum depreciation	6,229,742	299,783		6,529,525
Business-type activities capital assets, net	<u>\$12,884,923</u>	<u>\$(233,935)</u>		<u>\$12,650,988</u>

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

Governmental activities:

General government	\$ 8,324
Senior citizens	2,512
Library	5,238
Police	40,988
Fire	45,432
Parks and recreation	27,715
Cemetery	2,841
Animal control	332
Streets	162,882
Total depreciation expense - governmental activities	<u>\$ 296,264</u>

Business-type activities:

Water	\$ 149,991
Sewer	96,143
Sanitation	1,899
Abilene Water Line	51,750
Total depreciation expense - business-type activities	<u>\$ 299,783</u>

G. Long-term obligations

Certificates of obligation

In June, 2006, the City issued Certificates of Obligation, Series 2006 in the principal amount of \$115,000, with interest rates ranging from 4.3% to 5.25%. Payments of principal and interest are due on September 1 and March 1 of each year through 2021. As of September 30, 2016, principal of \$49,000 was outstanding.

In August, 2008, the City issued Certificates of Obligation, Series 2008A in the principal amount of \$265,000, with an interest rate of 4.75%. Payments of principal and interest are due on February 15 and August 15 of each year through 2018. As of September 30, 2016, principal of \$64,000 was outstanding.

In August, 2008, the City issued Certificates of Obligation, Series 2008B in the principal amount of \$145,000, with an interest rate of 7.0%. Payments of principal and interest are due on February 15 and August 15 of each year through 2018. As of September 30, 2016, principal of \$36,000 was outstanding.

In October, 2010, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010 in the principal amount of \$1,145,000, with an interest rates ranging from 2.0% to 4.0%. Payments of principal and interest are due on February 1 and August 1 of each year through 2035. As of September 30, 2016, principal of \$920,000 was outstanding.

In December, 2013, the City issued Certificates of Obligation, Series 2013A in the principal amount of \$7,120,000, with interest rates ranging from 2% to 5%. Payments of principal and interest are due on February 1 and August 1 of each year through 2043. As of September 30, 2016, principal of \$7,120,000 was outstanding.

In December, 2013, the City issued Certificates of Obligation, Series 2013B in the principal amount of \$3,815,000, with interest rates ranging from 3% to 5.5%. Payments of principal and interest are due on February 1 and August 1 of each year through 2029. As of September 30, 2016, principal of \$3,310,000 was outstanding.

Notes payable

The City acquired a five-year note payable to finance the purchase of three police patrol vehicles in October, 2015. Total amount financed was \$121,575 at 3.74% interest payable in annual installments of \$33,315. At September 30, 2016, principal of \$121,575 was outstanding.

A summary of changes in general long-term debt for the year ended September 30, 2016 is as follows:

Description	Amounts Outstanding 10/1/15	Issued	Retired	Amounts Outstanding 9/30/16	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation bonds	\$1,017,000		\$ 48,000	\$969,000	\$ 49,000
Notes payable	5,092	\$ 121,575	5,092	121,575	28,669
Accrued compensable absences	41,742	\$42,096	41,742	42,096	0
Total Governmental Activities	\$1,063,834	\$163,671	\$94,834	\$1,132,671	\$68,669
Business-type activities:					
Revenue and tax bonds	\$10,995,000		\$465,000	\$10,530,000	\$260,000
Revenue bond premiums	172,640		8,491	164,149	0
Accrued compensable absences	11,484	\$9,910	11,484	9,910	0
Customer deposits	189,890	40,953	35,705	195,138	0
Total Business-type Activities	\$11,369,014	\$50,863	\$520,680	\$10,899,197	\$260,000

H. Capital leases

None.

I. Debt service requirements - bonds, notes and capital leases

The annual debt service requirements to maturity for long-term notes payable as of September 30, 2016 are as follows:

Governmental Activities			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 77,669	\$ 41,795	\$ 119,464
2018	83,841	39,167	123,008
2019	85,957	36,438	122,395
2020	87,108	33,638	120,746
2021	61,000	30,089	91,089
2022-2026	305,000	116,200	421,200
2027-2031	310,000	49,200	359,200
2032-2035	80,000	8,000	88,000
	<u>\$ 1,090,575</u>	<u>\$ 354,528</u>	<u>\$ 1,445,102</u>
Business-type Activities			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 260,000	\$ 507,708	\$ 767,708
2018	265,000	498,727	763,727
2019	220,000	490,888	710,888
2020	230,000	483,237	713,237
2021	240,000	474,688	714,688
2022-2026	1,300,000	2,198,037	3,558,037
2027-2031	1,740,000	1,797,538	3,537,538
2032-2036	2,160,000	1,341,487	3,501,487
2037-2041	2,755,000	751,250	3,506,250
2042-2043	1,300,000	98,250	1,398,250
	<u>\$ 10,530,000</u>	<u>\$ 8,641,810</u>	<u>\$ 19,171,810</u>

The Texas Water Development Board requires the disclosure of the revenue and tax supported bond debt service requirements as follows:

Year Ending September 30,	Revenue and Tax Bonds Debt Service		
	Principal	Interest	Total
2017	\$ 260,000	\$ 507,708	\$ 767,708
2018	265,000	498,727	763,727
2019	220,000	490,888	710,888
2020	230,000	483,237	713,237
2021	240,000	474,688	714,688
2022-2026	1,300,000	2,198,037	3,558,037
2027-2031	1,740,000	1,797,538	3,537,538
2032-2036	2,160,000	1,341,487	3,501,487
2037-2041	2,755,000	751,250	3,506,250
2042-2043	1,300,000	98,250	1,398,250
	<u>\$ 10,530,000</u>	<u>\$ 8,641,810</u>	<u>\$ 19,171,810</u>

J. Accumulated unpaid vacation and sick leave benefits

The City has the following accrued leave policy for vacation benefits (none for unused sick leave benefits):

Employees with less than fifteen (15) years of continuous service with the City are allowed to accrue a maximum amount of 160 hours (20 days) of vacation benefits with any days in excess of the maximum carryover amount to be used no later than the anniversary month of employment. Any excess days not used during the anniversary month are forfeited unless previously approved by the City Administrator.

Employees with at least fifteen (15) years of continuous service with the City are allowed to accrue a maximum amount of 200 hours (25 days) of vacation benefits with any days in excess of the maximum carryover amount to be used no later than the anniversary month of employment. Any excess days not used during the anniversary month are forfeited unless previously approved by the City Administrator.

K. Retirement Plan - Texas Municipal Retirement System

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provision are adopted by the governing board 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2015
Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% repeating
Annuity increase (to retirees)	70% of CPI repeating

Contributions

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

Employees of the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.85% and 12.86% in calendar years 2015 and 2016, respectively. The City’s contributions to TMRS for the year ended September 31, 2016 were \$143,910 and were equal to the required contributions.

Net Pension Liability

Actuarial assumptions. The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% 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 Health 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 to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Health post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011. And dated December 31, 2013. These assumptions were first used in the December 31, 2013 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 2015 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount rate. The discount rate used to measure the Total Pension Liability was 7.0%. 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.

<i>Changes in the Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/15	\$ 3,357,369	\$ 2,803,351	\$ 554,018
Changes for the year:			
Service cost	183,540		183,540
Interest	237,880		237,880
Change in benefit terms			
Difference between expected/actual experience	(37,110)		(37,110)
Changes in assumptions	8,327		8,327
Contributions - employer		144,516	(144,516)
Contributions - employee		78,724	(78,724)
Net investment income		4,137	(4,137)
Benefit payments, including refunds of employee contributions	(101,710)	(101,710)	0
Administrative expenses		(2,520)	(2,520)
Other charges		(124)	124
Net changes	290,927	123,023	167,904
Balance at 12/31/16	\$ 3,648,296	\$ 2,926,374	\$ 721,922

Sensitivity of the net pension liability to changes in the discount rate. The following shows the net pension liability 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%)
Net pension liability / (asset)	\$1,297,027	\$721,922	\$253,988

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.tmrs.com.

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

For the year ended September 30, 2016, the City recognized pension expense of \$174,534.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$	\$ 63,317
Changes in actuarial assumptions	6,426	
Differences between projected and actual investment earnings (net of current year amortization)	173,438	
Contributions subsequent to the measurement date	105,016	
Total	\$ 284,880	\$ 63,317

\$105,016 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year ended September 30,	Amount
2017	\$ 25,429
2018	\$ 25,429
2019	\$ 29,766
2020	\$ 35,923
2021	\$ 0
Thereafter	\$ 0

L. OPEB - Supplemental death benefits plan

The City participates in a 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 an “other postemployment benefit,” or OPEB.

Your city offers supplemental death to:	Plan Year 2015	Plan Year 2016
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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 employees’ entire careers.

Schedule of Contribution Rates:			
Plan/ Calendar year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.03%	0.03%	100.0%
2013	0.04%	0.04%	100.0%
2014	0.20%	0.20%	100.0%
2015	0.18%	0.18%	100.0%
2016	0.19%	0.19%	100.0%

M. Risk financing

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for the above-described insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

N. Health care coverage

During the year ended September 30, 2016, employees of the City were covered by a health insurance plan (the “Plan”). The City paid premiums of \$238 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, 2016, and terms of coverage and premium costs are included in the contractual provision.

Latest financial statements for the Plan are available for the year ended December 31, 2015, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

O. Subsequent event

Management has evaluated subsequent events through August 8, 2017; the date which the financial statements were available for distribution. There were none noted.

P. Implementation of new GASB statements

The Governmental Accounting Standards Board (“GASB”) has issued several new pronouncements that the City has reviewed for application to their accounting and reporting as follows:

In June 2015, the GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to other postemployment benefits (OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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REQUIRED SUPPLEMENTARY INFORMATION

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

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CITY OF CLYDE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUE:				
Taxes:				
General property taxes	\$ 800,000	\$ 800,000	\$ 786,291	\$ (13,709)
General sales and use taxes	495,176	495,176	593,595	98,419
Other taxes - franchise taxes	120,000	120,000	96,653	(23,347)
Penalty and interest on delinquent taxes	10,000	10,000	12,233	2,233
Licenses and permits	8,561	8,561	13,279	4,718
Administrative cost allocation	411,151	411,151	465,000	53,849
Charges for services	12,795	12,795	12,960	165
Fines	503,973	503,973	246,920	(257,053)
Grants	0	0	35,344	35,344
Other revenue	73,173	73,173	30,393	(42,780)
Investment earnings	5,000	5,000	809	(4,191)
Total revenues	<u>2,439,829</u>	<u>2,439,829</u>	<u>2,293,477</u>	<u>(146,352)</u>
EXPENDITURES:				
General government	556,701	556,701	556,192	509
Senior citizens	16,500	16,500	16,046	454
Cemetery	3,100	3,100	1,383	1,717
Library	92,778	92,778	141,972	(49,194)
Police	584,308	584,308	766,836	(182,528)
Municipal court	272,441	272,441	198,359	74,082
Fire	47,172	47,172	54,227	(7,055)
Parks and recreation	84,816	84,816	103,353	(18,537)
Clyde lake	74,792	74,792	71,524	3,268
Code enforcement	11,920	11,920	42,248	(30,328)
Animal control	176,733	176,733	137,875	38,858
Streets	253,796	253,796	215,779	38,017
Debt service:				
Principal	52,653	52,653	53,092	(439)
Interest and fiscal charges	39,049	39,049	38,818	231
Total expenditures	<u>2,266,759</u>	<u>2,266,759</u>	<u>2,397,704</u>	<u>(130,945)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>173,070</u>	<u>173,070</u>	<u>(104,227)</u>	<u>(277,297)</u>
OTHER FINANCING RESOURCES (USES):				
Transfers in (out)	(125,000)	(125,000)	(125,000)	0
Loan proceeds	0	0	121,575	121,575
Total other financing resources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(3,425)</u>	<u>121,575</u>
NET CHANGE IN FUND BALANCES	48,070	48,070	(107,652)	(155,722)
Fund balances - beginning	112,949	112,949	112,949	0
Prior period adjustment				0
Fund balances - ending	<u>\$ 161,019</u>	<u>\$ 161,019</u>	<u>\$ 5,297</u>	<u>\$ (155,722)</u>

CITY OF CLYDE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Plan Year Ended December 31,	
	2015	2014
Total Pension Liability		
Service cost	183,540	174,225
Interest (on the total pension liability)	237,880	221,960
Changes of benefit terms	-	-
Difference between expected and actual experience	(37,110)	(60,692)
Change of assumptions	8,327	-
Benefit payments, including refunds of employee contributions	(101,710)	(123,747)
Net Change in Total Pension Liability	<u>290,927</u>	<u>211,746</u>
Total Pension Liability - Beginning	<u>3,357,369</u>	<u>3,145,623</u>
Total Pension Liability - Ending (a)	<u><u>3,648,296</u></u>	<u><u>3,357,369</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	144,516	131,498
Contributions - employee	78,724	74,562
Net investment income	4,137	147,341
Benefit payments, including refunds of employee contributions	(101,710)	(123,747)
Administrative expense	(2,520)	(1,538)
Other	(124)	(126)
Net Change in Plan Fiduciary Net Position	<u>123,023</u>	<u>227,990</u>
Plan Fiduciary Net Position - Beginning	<u>2,803,351</u>	<u>2,575,361</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>2,926,374</u></u>	<u><u>2,803,351</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>721,922</u></u>	<u><u>554,018</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.21%	83.50%
 Covered Employee Payroll	1,124,632	1,065,175
 Net Pension Liability as a Percentage of Covered Employee Payroll	64.19%	52.01%

CITY OF CLYDE, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Fiscal Year Ended September 30,	
	2016	2015
Actuarially determined contribution	\$ 143,910	\$ 138,157
Contributions in relation to actuarially determined contribution	(143,910)	(138,157)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 1,119,289	\$ 1,068,624
Contributions as a percentage of covered employee payroll	12.86%	12.93%

CITY OF CLYDE, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 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 based on 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.

Other Information:

There were no benefit changes during the year.

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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CITY OF CLYDE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2016

	Cemetery Fund	Law Enforcement Officers Education Fund	Total Nonmajor Special Revenue Funds
ASSETS AND OTHER DEBITS			
Assets:			
Cash and cash equivalents	\$ 75,212	\$ 9,006	\$ 84,218
Total assets and other debits	\$ 75,212	\$ 9,006	\$ 84,218
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Fund Balances:			
Unassigned	\$ 75,212	\$ 9,006	\$ 84,218
Total fund balances	75,212	9,006	84,218
Total liabilities and fund balances	\$ 75,212	\$ 9,006	\$ 84,218

CITY OF CLYDE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Cemetery Fund	Law Enforcement Officers Education Fund	Total Nonmajor Special Revenue Funds
REVENUE:			
Charges for services	\$ 6,400	\$	\$ 6,400
Grants	20	1,093	1,113
Investment earnings	151	20	171
Total revenues	<u>6,571</u>	<u>1,113</u>	<u>7,684</u>
EXPENDITURES:			
Cemetery	600		600
Police seizure training		860	860
Total expenditures	<u>600</u>	<u>860</u>	<u>1,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,971</u>	<u>253</u>	<u>6,224</u>
OTHER FINANCING RESOURCES (USES):			
Transfer in (out)			0
Total other financing resources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	5,971	253	6,224
Fund balances - beginning	69,241	8,753	77,994
Prior period adjustment			0
Fund balances - ending	<u>\$ 75,212</u>	<u>\$ 9,006</u>	<u>\$ 84,218</u>

OTHER SUPPLEMENTARY INFORMATION

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

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CITY OF CLYDE, TEXAS
INFORMATION FOR BONDS
SEPTEMBER 30, 2016

Schedule of Customer Rates

<u>Sewer:</u>		
Customers:	1,545	
Rates:		
Residential	20.95 1.00	Minimum per 1,000 gallons through 8,000 gallons
Commercial	20.95 1.00	Minimum per 1,000 gallons
<u>Water:</u>		
Customers	1,588	
Rates:		
Residential	45.40 7.80 8.20 9.00 10.00	0 - 1,000 gallons 1,001 - 2,000 gallons 2,001 - 3,000 gallons 3,001 - 6,000 gallons 6,001 + gallons
Commercial	51.40 8.80 9.20 10.00 11.00	0 - 1,000 gallons 1,001 - 2,000 gallons 2,001 - 3,000 gallons 3,001 - 6,000 gallons 6,001 + gallons
Water supply districts	\$3.53 5.76 5.75	per 1,000 gallons, unlimited - Eula Water Supply per 1,000 gallons, unlimited - Callahan County Water Supply per 1,000 gallons, unlimited - TxDOT Rest Area

CITY OF CLYDE, TEXAS
SCHEDULE OF INSURANCE
AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2016

Insurance Company	Coverage	Policy Dates
Old Republic	Public officials liability policy - \$15,000	09/01/16 - 08/31/17
Old Republic	City administrator bond - \$250,000	09/20/16 - 09/19/17
Texas Municipal League	Commercial general liability - \$1,000,000	10/01/15 - 09/30/16
Texas Municipal League	Law enforcement liability - \$1,000,000	10/01/15 - 09/30/16
Texas Municipal League	Errors & omissions liability - \$1,000,000	10/01/15 - 09/30/16
Texas Municipal League	Auto liability & physical damage - \$1,000,000	10/01/15 - 09/30/16
Texas Municipal League	Real & personal property liability - \$6,019,700	10/01/15 - 09/30/16
Texas Municipal League	Workers' compensation - statutory amounts	10/01/15 - 09/30/16

CITY OF CLYDE, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
 AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2016

City Council of Clyde, Texas	Appointed Officials
Matthew Howard, mayor P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	Mike Murray, city administrator P.O. Box 1155 Clyde, Texas 76510 325-893-4234
Steve Kniffen, mayor pro tem P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	Connie Thornton, city secretary P.O. Box 1155 Clyde, Texas 76510 325-893-0068
Anita Chapman, council member P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	Lois Rockefeller, city attorney 4400 Buffalo Gap Road, Suite 2800 Abilene, Texas 79606 325-701-7960
JW Schlee, council member P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	Keith Collom, municipal court judge P.O. Box 1155 Clyde, Texas 76510 325-893-3109
Richard Sheffield, council member P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	
Larry Smedley, council member P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	

CITY OF CLYDE, TEXAS
ADDITIONAL INFORMATION FOR USDA RURAL DEVELOPMENT
AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2016

Mailing address: P.O. Box 1155 Office telephone: 325-893-4234
 Clyde, Texas 79510

Annual insurance paid:	Property	\$38,301	Workers' compensation	\$18,521
	Liability	\$12,205	Fidelity bond	\$ 2,500

Water System:

Name of operator: Douglas Blue Class certificate: B

Date of last chemical analysis of water: July, 2014

Number of residential/commercial users with 3/4-inch meter:	1,588	Number of commercial users with larger than 3/4-inch meter:	25
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Number of users by ethnic group:	White	unknown
	Black	unknown
	Hispanic	unknown
	Asian	unknown
	American Indian	<u>unknown</u>
	Total	<u>1,588</u>

Minimum water rate:	\$45.40	0 - 1,000 gallons
	\$ 7.80	1,001 - 2,000 gallons
	\$ 8.20	2,001 - 3,000 gallons
	\$ 9.00	3,001 - 6,000 gallons
	\$10.00	6,001 + gallons

Average gallons per residential meter: 3,800
 Average residential water bill: \$69.65

Sewer System:

Number of residential sewage collection users:	1,545	Number of commercial sewage collection users:	95
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Number of users by ethnic group:	White	unknown
	Black	unknown
	Hispanic	unknown
	Asian	unknown
	American Indian	<u>unknown</u>
	Total	<u>1,545</u>

Minimum sewer rate: \$20.95
 Average gallons per residential meter: 3,800
 Average bill: \$24.30

CITY OF CLYDE, TEXAS
OPERATING SEGMENTS - WATER, SEWER, SANITATION FUND
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water Department	Sewer Department	Sanitation Department	Totals
OPERATING REVENUES:				
Charges for sales and services:				
Sales and services rendered	\$ 1,581,454	\$ 465,894	\$ 358,982	\$ 2,406,330
Penalties on accounts	45,686			45,686
Intergovernmental revenue	17,677			17,677
Other revenue	870			870
Total operating revenues	<u>1,645,687</u>	<u>465,894</u>	<u>358,982</u>	<u>2,470,563</u>
OPERATING EXPENSES:				
Personnel services - salaries and benefits	183,987	112,059		296,046
Materials and supplies	16,366	3,556	7,045	26,967
Maintenance, operations and contracted services	404,483	116,708	374,659	895,850
Other expenses	50,365	25,481		75,846
Depreciation and amortization	201,741	96,143	1,899	299,783
Administrative cost allocation	250,981	178,830	1,189	431,000
Total operating expenses	<u>1,107,923</u>	<u>532,777</u>	<u>384,792</u>	<u>2,025,492</u>
Operating income	<u>537,764</u>	<u>(66,883)</u>	<u>(25,810)</u>	<u>445,071</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	1,768	214		1,982
Interest expense and financing costs	(517,990)			(517,990)
Total non-operating revenues (expenses)	<u>(516,222)</u>	<u>214</u>	<u>0</u>	<u>(516,008)</u>
Income before transfers	<u>21,542</u>	<u>(66,669)</u>	<u>(25,810)</u>	<u>(70,937)</u>
Transfers in for debt service	125,000			125,000
Depreciation and amortization	<u>201,741</u>	<u>96,143</u>	<u>1,899</u>	<u>299,783</u>
Balance available for debt service	<u>\$ 348,283</u>	<u>\$ 29,474</u>	<u>\$ (23,911)</u>	<u>\$ 353,846</u>

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Independent Auditor's Report

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

City Commission
City of Clyde, Texas
P.O. Box 1155
Clyde, Texas 79510

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clyde, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated July 28, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Clyde, Texas' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cameron L. Gulley
Certified Public Accountant

July 28, 2017

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CITY OF CLYDE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
None reported.		

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CITY OF CLYDE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None reported.

III. Findings and Questioned Costs for Federal Awards

Not applicable.

CITY OF CLYDE, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2016

None required.