

CITY OF CLYDE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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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, 2021, 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. 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, 2021, 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, Schedule of Pension Contributions and Schedule of Changes in Total OPEB Liability and Related Ratios 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 31, 2022, 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

March 31, 2022



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, 2021. 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 increased from \$1,867,279 to \$2,090,169. 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 - increased from (\$97,931) to \$4,038 at September 30, 2021. Current assets increased by \$626,751 due to cash balances. Capital assets increased by \$134,427 due to asset additions net of depreciation expense. Long-term liabilities increased by \$22,450 due to new debt acquired net of principal retirements and changes in net pension (NPL) and other post-employment (OPEB) liabilities. Other liabilities increased by \$550,430 due to unearned federal grant receipts not expended at year-end included in cash balances plus increases in ending accounts payable. Changes in deferred outflows and inflows of resources were related to accruals in accordance with NPL and OPEB liabilities.

Net position of the business-type activities increased by \$528,216. Current and other assets increased by \$387,563 due to increases in cash balances and receivables. Capital assets decreased by \$130,739 due to depreciation expense in excess of asset additions for the year. Long-term liabilities decreased by \$251,601 due to retirement of outstanding debt and changes in NPL and OPEB liabilities. Other liabilities decreased by \$293. Changes in deferred outflows and inflows of resources were related to accruals in accordance with NPL and OPEB liabilities.

Table I
City of Clyde, Texas
Net Position

	Governmental Activities 2021	Governmental Activities 2020	Variance Increase/ (Decrease)
Current and other assets	\$ 1,110,969	\$ 484,218	\$ 626,751
Capital assets	3,362,241	3,227,814	134,427
Deferred outflows of resources	148,985	127,913	21,072
Total assets and deferred outflows	4,622,195	3,839,945	782,250
Long-term liabilities	1,741,014	1,718,564	22,450
Other liabilities	673,966	123,536	550,430
Deferred inflows of resources	117,046	130,572	(13,526)
Total liabilities and deferred inflows	2,532,026	1,940,330	559,354
Net position:			
Net investment in capital assets	2,086,131	1,965,210	120,921
Unrestricted	4,038	(97,931)	101,969
Total net position	\$ 2,090,169	\$ 1,867,279	\$ 222,890
	Business-type Activities 2021	Business-type Activities 2020	Variance Increase/ (Decrease)
Current and other assets	\$ 948,529	\$ 560,966	\$ 387,563
Capital assets	13,006,917	13,137,656	(130,739)
Deferred outflows of resources	83,962	72,086	11,876
Total assets and deferred outflows	14,039,408	13,770,708	268,700
Long-term liabilities	9,974,099	10,225,700	(251,601)
Other liabilities	179,759	180,052	(293)
Deferred inflows of resources	65,963	73,585	(7,622)
Total liabilities and deferred inflows	10,219,821	10,479,337	(259,516)
Net position:			
Net investment in capital assets	3,453,740	3,319,984	133,756
Restricted for debt service	2,010	9,650	(7,640)
Restricted for future construction	3,767	3,765	2
Unrestricted	360,070	(42,028)	402,098
Total net position	\$ 3,819,587	\$ 3,291,371	\$ 528,216

Table II
City of Clyde, Texas
Changes in Net Position

	Governmental Activities 2021	Governmental Activities 2020	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 439,981	\$ 422,750	\$ 17,231
Operating grants and contributions	176,784	80,686	96,098
General Revenues:			
Maintenance and operations taxes	1,064,731	1,028,608	36,123
Sales and hotel/motel taxes	733,314	640,342	92,972
Franchise fees	97,985	139,985	(42,000)
Administrative cost allocation	372,370	70,540	301,830
Investment earnings	364	2,383	(2,019)
Miscellaneous and transfers	33,505	277,196	(243,691)
Total Revenues	2,919,034	2,662,490	256,544
Expenses:			
General government	471,023	487,074	16,051
Senior citizens	24,484	20,380	(4,104)
Cemetery	4,523	4,613	90
Library	118,436	112,016	(6,420)
Police and municipal court	1,122,233	1,055,479	(66,754)
Fire	127,247	122,442	(4,805)
Parks and recreation	189,344	189,955	611
Code enforcement and animal control	220,591	229,841	9,250
Street	367,595	322,215	(45,380)
Interest expense on long-term debt	50,668	52,070	1,402
Total Expenses	2,696,144	2,596,085	(100,059)
Increase in Net Position	222,890	66,405	156,485
Net Position - beginning of year	1,867,279	1,800,874	66,405
Net Position - end of year	\$ 2,090,169	\$ 1,867,279	\$ 222,890

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

	Business-type Activities 2021	Business-type Activities 2020	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 3,164,190	\$ 3,154,662	\$ 9,528
Operating grants and contributions	50,000	50,000	0
Investment income	167	1,566	(1,399)
Miscellaneous and transfers	22,065	15,856	6,209
Total Revenues	3,236,422	3,222,084	14,338
Expenses:			
Water, sewer and sanitation	2,238,524	1,939,259	(299,265)
Interest expense	469,682	478,807	9,125
Total Expenses	2,708,206	2,418,066	(290,140)
Increase in Net Position	528,216	804,018	(275,802)
Net Position - beginning of year	3,291,371	2,487,353	804,018
Net Position - end of year	\$ 3,819,587	\$ 3,291,371	\$ 528,216

The City's total revenues of its governmental activities were higher by \$256,544 from last fiscal year. Charges for services were higher by \$17,231 primarily due to municipal court fines and fees. Operating grants and contributions increased due to federally-funded COVID relief grant activity. Property taxes were higher by \$36,123 due to higher taxable valuations. Sales and franchise fees were higher by approximately \$50,000. Administrative cost allocation fees were higher by \$301,830 for fees charged to the enterprise fund. Miscellaneous revenues were less by \$243,691 due to prior year dispositions and retirement of old assets.

Total expenses of the City's governmental activities increased by approximately \$100,000 from the previous year. Police and municipal court expenses increased by \$67,000 due to state fines paid, payroll and vehicle maintenance costs. Street expenses increased by \$45,000 due to higher payroll and street maintenance costs.

The City's total revenues of its business-type activities increased by \$14,338 from the previous year. Charges for services and other revenues were only nominally higher than last year.

Total expenses of the business-type activities increased by approximately \$290,000 from the previous year. The most significant cost increase was for administrative fees to the governmental funds which were higher by approximately \$300,000. Other net operating expenses were approximately the same as 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 \$407,197, an increase of \$80,608 in the City’s governmental funds from last year’s fund balance of \$326,589.

The City Commission did not amend its general fund budget.

The City’s General Fund balance of \$393,226 reported on pages 15 and 38 differs from the projected budgetary fund balance of \$315,724 due grant proceeds not budgeted for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had \$30,389,313 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 an increase of \$488,371 (net of dispositions) from last fiscal year. This year’s major additions included:

Vehicles and equipment	\$ 153,950
Building improvements (city hall, police dept. and lake)	171,408
Cemetery fencing improvements	16,000
Tractor and mowing equipment	75,493
Police watchguard camera equipment	72,783
Miscellaneous other equipment	74,994
Total	\$ 564,628

Debt

At year-end, the City had \$10,618,443 in notes, bonds and capital leases outstanding as shown below.

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Bonds	\$ 695,000	\$ 756,000	\$ 9,315,000	\$ 9,555,000
Notes and leases	569,395	501,780	39,048	53,372
Total	\$ 1,264,395	\$ 1,257,780	\$ 9,354,048	\$ 9,638,372

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City should continue to improve its financial health during the 2021-22 fiscal year. The City’s water treatment plant is operational and should continue to result in much lower utility costs of water. Cash flows will likely continue to improve due to increased economic activity that should result in sales tax revenues expected to increase approximately 25% or more over the next couple of years. Revenues for the general fund are budgeted at \$2,771,000. Expenditures for the general fund are budgeted at \$3,296,000 for a projected deficit of \$526,000. However, funds already received from federally-funded grant activities not included in the budget total approximately \$475,000 with additional funds to be received. Revenues of the enterprise fund are budgeted at \$3,190,000 and expenses are budgeted at approximately \$2,503,000 for a surplus of \$687,000.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 990,721	\$ 515,103	\$ 1,505,824	\$ 343,311
Receivables (net of allowance for uncollectibles):				
Property taxes	41,521	-	41,521	-
Accounts receivable	-	370,787	370,787	-
Other	55,882	-	55,882	18,314
Prepaid expenses	22,845	6,165	29,010	-
Restricted assets:				
Revenue bond covenant accounts	-	5,777	5,777	-
Deferred charges	-	50,697	50,697	-
Notes receivable	-	-	-	177,088
Capital assets:				
Land	326,528	10,505,776	10,832,304	17,143
Buildings and improvements	2,104,029	1,218,362	3,322,391	250,111
Machinery and equipment	2,518,192	920,905	3,439,097	-
Infrastructure	5,185,459	7,610,062	12,795,521	-
Less: accumulated depreciation	(6,771,967)	(7,248,188)	(14,020,155)	-
Total capital assets	<u>3,362,241</u>	<u>13,006,917</u>	<u>16,369,158</u>	<u>267,254</u>
Total assets	<u>4,473,210</u>	<u>13,955,446</u>	<u>18,428,656</u>	<u>805,967</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to TMRS pension	130,029	73,280	203,309	-
Deferred outflows related to TMRS OPEB	18,956	10,682	29,638	-
Total deferred outflows of resources	<u>148,985</u>	<u>83,962</u>	<u>232,947</u>	<u>-</u>
LIABILITIES				
Accounts payable	153,523	79,577	233,100	-
Accrued liabilities and other payables	35,085	22,747	57,832	-
Accrued interest payable	11,715	77,435	89,150	-
Unearned revenue	473,643	-	473,643	-
Notes payable - current	82,992	-	82,992	-
Bonds payable - current	55,000	245,000	300,000	-
Capital lease - current	-	19,046	19,046	-
Noncurrent liabilities:				
Notes payable - due in more than one year	486,403	-	486,403	-
Bonds payable - due in more than one year	640,000	9,191,694	9,831,694	-
Capital lease - due in more than one year	-	20,002	20,002	-
Accrued compensable absences payable	49,935	28,259	78,194	-
Customer deposits	-	229,640	229,640	-
Net pension liability related to TMRS	356,903	201,134	558,037	-
Total OPEB liability related to TMRS	69,781	39,324	109,105	-
Total liabilities	<u>2,414,980</u>	<u>10,153,858</u>	<u>12,568,838</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to TMRS pension	103,327	58,231	161,558	-
Deferred inflows related to TMRS OPEB	13,719	7,732	21,451	-
Total deferred inflows of resources	<u>117,046</u>	<u>65,963</u>	<u>183,009</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	2,086,131	3,453,740	5,539,871	267,254
Restricted for debt service	-	2,010	2,010	-
Restricted for future construction	-	3,767	3,767	-
Unrestricted	4,038	360,070	364,108	538,713
Total net position	<u>\$ 2,090,169</u>	<u>\$ 3,819,587</u>	<u>\$ 5,909,756</u>	<u>\$ 805,967</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-type Activities	Totals	
						(Memo Only) Primary Govt	
Governmental activities:							
General government	\$ 471,023	\$ 11,205	\$ 175,648	\$ (284,170)	\$ -	\$ (284,170)	\$ -
Senior citizens	24,484	-	-	(24,484)	-	(24,484)	-
Cemetery	4,523	5,600	-	1,077	-	1,077	-
Library	118,436	-	-	(118,436)	-	(118,436)	-
Police	881,706	45,003	1,136	(835,567)	-	(835,567)	-
Municipal court	240,527	336,045	-	95,518	-	95,518	-
Fire	127,247	-	-	(127,247)	-	(127,247)	-
Parks and recreation	64,789	29,116	-	(35,673)	-	(35,673)	-
Clyde lake	124,555	-	-	(124,555)	-	(124,555)	-
Code enforcement	75,689	300	-	(75,389)	-	(75,389)	-
Animal control	144,902	12,712	-	(132,190)	-	(132,190)	-
Street	367,595	-	-	(367,595)	-	(367,595)	-
Interest expense on long-term debt	50,668	-	-	(50,668)	-	(50,668)	-
Total governmental activities	2,696,144	439,981	176,784	(2,079,379)	-	(2,079,379)	-
Business-type activities:							
Water, sewer and sanitation	1,901,654	3,164,190	50,000	-	1,312,536	1,312,536	-
Interest expense on long-term debt	469,682	-	-	-	(469,682)	(469,682)	-
Total business-type activities	2,371,336	3,164,190	50,000	-	842,854	842,854	-
Total primary government	\$ 5,067,480	\$ 3,604,171	\$ 226,784	(2,079,379)	842,854	(1,236,525)	-
Component units:							
Clyde Economic Development Corporation	147,150	-	-	-	-	-	(147,150)
Total component units	\$ 147,150	\$ -	\$ -	-	-	-	(147,150)
General revenues:							
Property taxes				1,064,731	-	1,064,731	-
Sales taxes				733,314	-	733,314	244,438
Franchise taxes				97,985	-	97,985	-
Administrative cost allocation				372,370	(336,870)	35,500	(35,500)
Investment income				364	167	531	306
Other revenues				33,505	22,065	55,570	6,454
Total general revenues				2,302,269	(314,638)	1,987,631	215,698
Changes in net position				222,890	528,216	751,106	68,548
Beginning net position				1,867,279	3,291,371	5,158,650	737,419
Ending net position				\$ 2,090,169	\$ 3,819,587	\$ 5,909,756	\$ 805,967

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 976,750	\$ 13,971	\$ 990,721
Receivables (net of allowance for uncollectibles):			
Property taxes	41,521	-	41,521
Other	55,882	-	55,882
Prepaid expenses	22,845	-	22,845
Total assets	<u>\$ 1,096,998</u>	<u>\$ 13,971</u>	<u>\$ 1,110,969</u>
LIABILITIES			
Accounts payable	\$ 153,523	\$ -	\$ 153,523
Accrued liabilities and other payables	35,085	-	35,085
Unearned revenue	473,643	-	473,643
Total liabilities	<u>662,251</u>	<u>-</u>	<u>662,251</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	41,521	-	41,521
Total deferred inflows of resources	<u>41,521</u>	<u>-</u>	<u>41,521</u>
FUND BALANCES			
Unassigned	393,226	13,971	407,197
Total fund balances	<u>393,226</u>	<u>13,971</u>	<u>407,197</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,096,998</u>	<u>\$ 13,971</u>	<u>\$ 1,110,969</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, 2021

	Primary Government
Total Fund Balances - Governmental Funds	\$ 407,197
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 \$9,724,746 and the accumulated depreciation was \$6,496,932. 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.	1,965,210
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.	457,973
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(337,052)
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 (\$356,903), a deferred resource inflow in the amount of (\$103,327) and a deferred resource outflow in the amount of \$130,029. This resulted in an increase/(decrease) in net position.	(330,201)
5 Included in the noncurrent assets/(liabilities) is the recognition of the City's total OPEB asset/(liability) required by GASB 75 in the amount of (\$69,781), a deferred resource inflow in the amount of (\$13,719) and a deferred resource outflow in the amount of \$18,956. This resulted in an increase/(decrease) in net position.	(50,825)
6 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.	(22,133)
Net Position of Governmental Activities	\$ 2,090,169

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, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:			
Taxes:			
General property taxes	\$ 1,047,464	\$ -	\$ 1,047,464
General sales and use taxes	733,314	-	733,314
Other taxes - franchise taxes	97,985	-	97,985
Penalty and interest on delinquent taxes	14,669	-	14,669
Licenses and permits	40,321	-	40,321
Administrative cost allocation	372,370	-	372,370
Charges for services	58,015	5,600	63,615
Fines	336,045	-	336,045
Grants	175,648	1,136	176,784
Other revenue	33,505	-	33,505
Investment earnings	354	10	364
Total revenues	<u>2,909,690</u>	<u>6,746</u>	<u>2,916,436</u>
EXPENDITURES:			
General government	606,634	-	606,634
Senior citizens	22,512	-	22,512
Cemetery	958	16,000	16,958
Library	113,877	-	113,877
Police	1,089,284	-	1,089,284
Police seizure training	-	640	640
Municipal court	241,541	-	241,541
Fire	53,857	-	53,857
Parks and recreation	57,752	-	57,752
Clyde lake	175,180	-	175,180
Code enforcement	76,336	-	76,336
Animal control	169,552	-	169,552
Streets	208,608	-	208,608
Debt service:			
Principal	145,653	-	145,653
Interest and finance charges	49,158	-	49,158
Total expenditures	<u>3,010,902</u>	<u>16,640</u>	<u>3,027,542</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(101,212)</u>	<u>(9,894)</u>	<u>(111,106)</u>
OTHER FINANCING RESOURCES (USES):			
Loan proceeds	157,649	-	157,649
Insurance proceeds	34,065	-	34,065
Total other financing resources (uses)	<u>191,714</u>	<u>-</u>	<u>191,714</u>
NET CHANGE IN FUND BALANCES	90,502	(9,894)	80,608
Fund balances - beginning	302,724	23,865	326,589
Prior period adjustment	-	-	-
Fund balances - ending	<u>\$ 393,226</u>	<u>\$ 13,971</u>	<u>\$ 407,197</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, 2021

	Primary Government
Net change in fund balances - total governmental funds	\$ 80,608
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.	457,973
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.	(337,052)
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 12/31/20 caused the change in the ending net position to increase in the amount of \$89,421. 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 (\$83,735). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$24,765. The result of these changes is to increase/(decrease) the change in net position.	30,451
4 The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/20 caused the change in the ending net position to increase in the amount of \$2,328. 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 (\$1,419). The City's reported TMRS total OPEB expense had to be recorded. The total OPEB expense increased/(decreased) the change in net position by (\$7,713). The result of these changes is to increase/(decrease) the change in net position.	(6,804)
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, 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.	(2,286)
Change in net position of governmental activities	\$ 222,890

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Enterprise Fund
	Water, Sewer & Sanitation Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 515,103
Accounts receivable (net of allowance for uncollectibles)	370,787
Prepaid expenses	6,165
Total current assets	892,055
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Revenue bond covenant cash balances	5,777
Deferred charges	50,697
Capital assets:	
Land	10,505,776
Buildings and improvements	1,218,362
Machinery and equipment	920,905
Infrastructure	7,610,062
Less: accumulated depreciation	(7,248,188)
Total capital assets	13,006,917
Total noncurrent assets	13,063,391
Total assets	13,955,446
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TMRS pension	73,280
Deferred outflows related to TMRS OPEB	10,682
Total deferred outflows of resources	83,962
LIABILITIES:	
Current liabilities:	
Accounts payable	79,577
Accrued wages and withholdings	22,747
Accrued interest payable	77,435
Current portion of long-term liabilities	264,046
Total current liabilities	443,805
Noncurrent liabilities:	
Revenue bonds payable	9,436,694
Capital lease liability	39,048
Accrued compensable absences payable	28,259
Customer deposits	229,640
Net pension liability related to TMRS	201,134
Total OPEB liability related to TMRS	39,324
Less: current portion of long-term liabilities	(264,046)
Total noncurrent liabilities	9,710,053
Total liabilities	10,153,858
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS pension	58,231
Deferred inflows related to TMRS OPEB	7,732
Total deferred inflows of resources	65,963
NET POSITION:	
Net investment in capital assets	3,453,740
Restricted for debt service	2,010
Restricted for future construction	3,767
Unrestricted net position	360,070
Total net position	\$ 3,819,587

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, 2021

	Enterprise Fund
	Water, Sewer & Sanitation Fund
	Fund
OPERATING REVENUES:	
Charges for sales and services:	
Water sales - retail	\$ 1,467,567
Water sales - wholesale	473,759
Sewer charges	591,634
Sanitation charges	560,831
Penalties on accounts	42,502
Other services	27,897
Intergovernmental revenue	50,000
Other revenue	22,065
Total operating revenues	3,236,255
OPERATING EXPENSES:	
Personnel services - salaries and wages	558,514
Personnel services - employee benefits	177,576
Purchased professional and technical services	19,874
Administrative cost allocation	336,870
Operations, maintenance and repairs	309,289
General insurance	40,468
Supplies	24,151
Utilities	79,456
Water purchases	27,775
Landfill expenses	404,893
Depreciation	223,888
Bad debts	9,382
Other expenses	26,388
Total operating expenses	2,238,524
Operating income	997,731
NON-OPERATING REVENUES (EXPENSES):	
Interest revenue	167
Interest expense and financing costs	(469,682)
Total non-operating revenues (expenses)	(469,515)
Change in net position	528,216
Net position - beginning	3,291,371
Net position - ending	\$ 3,819,587

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, 2021

	Enterprise Fund
	Water, Sewer & Sanitation Fund
	Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,173,928
Cash payments to employees for services	(747,516)
Cash payments to other suppliers for goods and services	(1,287,175)
Other operating cash receipts (payments)	72,065
Net cash provided by operating activities	1,211,302
Cash flows from non-capital financing activities:	
Proceeds from increased customer deposits	7,225
Net cash provided by non-capital financing activities	7,225
Cash flows from capital and related financing activities:	
Payments from restricted investments for debt service and construction	7,638
Acquisition of capital assets	(93,149)
Debt service principal payments	(262,815)
Debt service interest and fiscal agent fee payments	(468,222)
Net cash used for capital and related financing activities	(816,548)
Cash flows from investing activities:	
Interest and dividends on investments	167
Net cash provided by investing activities	167
Net increase in cash and cash equivalents	402,146
Cash and cash equivalents - beginning of year	112,957
Cash and cash equivalents - end of year	\$ 515,103
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 997,731
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	223,888
Change in net pension/OPEB liability and related deferred resources	(13,327)
Change in assets and liabilities:	
Decrease (increase) in receivables and prepaid expenses	3,806
Increase (decrease) in accounts payable	(2,697)
Increase (decrease) in accrued wages payable	1,901
Net cash provided (used) by operating activities	\$ 1,211,302

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, 2021

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.

The City reports the following non-major governmental funds:

3. **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 Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas Municipal Retirement System (the “TMRS”) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

G. 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 permits 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, 2021, 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:

Department	Amt Over Budget	Variance Description
General government	\$ 212,209	Building improvements, equipment and legal fees higher than budgeted.
Senior citizens	\$ 5,812	Supplies and utilities higher than budgeted.
Police	\$ 184,509	Vehicles and building improvements purchased not budgeted.
Fire	\$ 6,857	Insurance higher than budgeted.
Clyde lake	\$ 40,580	Capital improvements not budgeted.
Animal control	\$ 32,727	Animal control vehicle purchased not budgeted.
Debt service - principal	\$ 53,153	New debt incurred with payments 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, 2021, 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, 2021, 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:

None.

Transfers are as follows:

None.

E. Disaggregation of receivables and payables

Receivables at September 30, 2021 were as follows:

	Property Taxes	Accounts	Other	Total Receivables
Governmental Activities:				
General Fund	\$ 41,521		\$ 55,882	\$ 97,403
Total Governmental Activities	<u>\$ 41,521</u>	<u>\$ 0</u>	<u>\$ 55,882</u>	<u>\$ 97,403</u>
Business-type Activities:				
Water, Sewer & Sanitation Fund		\$ 370,787		\$ 370,787
Total Business-type Activities	<u>\$ 0</u>	<u>\$ 370,787</u>	<u>\$ 0</u>	<u>\$ 370,787</u>

Payables at September 30, 2021 were as follows:

	Accounts	Salaries and Benefits	Interest	Total Payables
Governmental Activities:				
General Fund	\$ 153,523	\$ 35,085	\$ 11,715	\$ 200,323
Total Governmental Activities	<u>\$ 153,523</u>	<u>\$ 35,085</u>	<u>\$ 11,715</u>	<u>\$ 200,323</u>
Business-type Activities:				
Water, Sewer & Sanitation Fund	\$ 79,577	\$ 22,747	\$ 77,435	\$ 179,759
Total Business-type Activities	<u>\$ 79,577</u>	<u>\$ 22,747</u>	<u>\$ 77,435</u>	<u>\$ 179,759</u>

F. Capital asset activity

Capital asset activity for the City for the year ended September 30, 2021, was as follows:

	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Governmental activities:				
Land	\$ 326,528			\$ 326,528
Buildings and improvements	1,932,621	171,408		2,104,029
Machinery and equipment	2,296,138	284,071	62,017	2,518,192
Infrastructure	5,169,459	16,000		5,185,459
Totals	<u>9,724,746</u>	<u>471,479</u>	<u>62,017</u>	<u>10,134,208</u>
Less accum depreciation for:				
Buildings and improvements	739,388	40,877		780,265
Machinery and equipment	1,693,258	124,190	62,017	1,755,431
Infrastructure	4,064,286	171,985		4,236,271
Total accum depreciation	<u>6,496,932</u>	<u>337,052</u>	<u>62,017</u>	<u>6,771,967</u>
Governmental activities capital assets, net	<u>\$ 3,227,814</u>	<u>\$ 134,427</u>	<u>\$ 0</u>	<u>\$ 3,362,241</u>

	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Business-type activities:				
Land	\$ 10,505,776			\$ 10,505,776
Buildings and improvements	1,218,362			1,218,362
Machinery and equipment	841,996	93,149	14,240	920,905
Infrastructure	7,610,062			7,610,062
Totals	20,176,196	93,149	14,240	20,255,105
Less accum depreciation for:				
Buildings and improvements	781,742	24,300		806,042
Machinery and equipment	690,466	38,279	14,240	714,505
Infrastructure	5,566,332	161,309		5,727,641
Total accum depreciation	7,038,540	223,888	14,240	7,248,188
Business-type activities capital assets, net	\$ 13,137,656	\$ (130,739)	\$ 0	\$ 13,006,917

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

Governmental activities:	
General government	\$ 15,935
Senior citizens	1,972
Library	7,158
Cemetery	3,565
Police	38,322
Fire	73,390
Parks and recreation	22,031
Clyde lake	1,809
Code enforcement	800
Animal control	12,789
Streets	159,281
Total depreciation expense - governmental activities	\$ 337,052
Business-type activities:	
Water	\$ 128,715
Sewer	95,173
Total depreciation expense - business-type activities	\$ 223,888

G. Long-term obligations

Certificates of obligation

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, 2021, principal of \$695,000 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, 2021, principal of \$7,070,000 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, 2021, principal of \$2,245,000 was outstanding.

Notes payable

The City acquired a fifteen-year note payable to finance the purchase of a fire truck vehicle in June, 2020. Total amount financed was \$500,034 at 3.69% interest payable in semi-annual installments of \$22,257. At September 30, 2021, principal of \$469,962 was outstanding.

The City acquired a four-year note payable to finance the purchase of police and animal control vehicles in December, 2020. Total amount financed was \$157,649 at 3.49% interest payable in annual installments of \$59,040 beginning in February, 2021 thru February, 2022 and then decreasing to \$15,654 thereafter. At September 30, 2021, principal of \$99,434 was outstanding.

Capital lease obligation

The City acquired a six-year capital lease obligation to finance the purchase of new backhoe in November, 2017. Total amount financed was \$93,186 at an imputed interest rate of 4.20% payable in monthly installments of \$1,466. At September 30, 2021, principal of \$39,048 was outstanding.

A summary of changes in general long-term debt for the year ended September 30, 2021 is as follows:

Description	Amounts Outstanding 10/1/2020	Issued	Retired	Amounts Outstanding 9/30/2021	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation bonds	\$ 756,000		\$ 61,000	\$ 695,000	\$ 55,000
Notes payable	501,780	157,649	90,034	569,395	82,992
Accrued compensable absences	45,051	4,884		49,935	0
Net pension liability	350,448	256,848	250,393	356,903	0
Total OPEB liability	65,285	4,496		69,781	0
Total Governmental Activities	\$ 1,718,564	\$ 423,877	\$ 401,427	\$ 1,741,014	\$ 137,992
Business-type activities:					
Revenue and tax bonds	\$ 9,555,000		\$ 240,000	\$ 9,315,000	\$ 245,000
Capital lease obligation	53,372		14,324	39,048	19,046
Revenue bond premiums	130,185		8,491	121,694	0
Accrued compensable absences	30,441		2,182	28,259	0
Customer deposits	222,415	34,425	27,200	229,640	0
Net pension liability	197,497	144,747	141,110	201,134	0
Total OPEB liability	36,790	2,534		39,324	0
Total Business-type Activities	\$ 10,225,700	\$ 181,706	\$ 433,307	\$ 9,974,099	\$ 264,046

H. Debt service requirements - capital leases

Future minimum lease requirements to maturity for long-term capital leases as of September 30, 2021 are as follows:

Year ending September 30,	Amount
2022	\$ 20,530
2023	17,597
2024	2,934
Less: incremental borrowing rate of interest	(2,013)
Present value of future lease payments	<u>\$ 39,048</u>

I. Debt service requirements - bonds and notes payable

The annual debt service requirements to maturity for long-term notes payable as of September 30, 2021 are as follows:

Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 137,992	\$ 48,361	\$ 186,353	\$ 245,000	\$ 464,612	\$ 709,612
2023	97,567	43,200	140,767	260,000	453,738	713,738
2024	104,119	39,448	143,567	270,000	441,537	711,537
2025	110,727	35,440	146,167	285,000	426,838	711,838
2026	101,741	31,172	132,913	300,000	411,312	711,312
2027-2031	487,342	94,425	581,767	1,740,000	1,797,538	3,537,538
2032-2036	224,907	18,890	243,797	2,160,000	1,341,487	3,501,487
2037-2041	0	0	0	2,755,000	751,250	3,506,250
2042-2043	0	0	0	1,300,000	98,250	1,398,250
	<u>\$ 1,264,395</u>	<u>\$ 310,936</u>	<u>\$ 1,575,331</u>	<u>\$ 9,315,000</u>	<u>\$ 6,186,562</u>	<u>\$ 15,501,562</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
2022	\$ 245,000	\$ 464,612	\$ 709,612
2023	260,000	453,738	713,738
2024	270,000	441,537	711,537
2025	285,000	426,838	711,838
2026	300,000	411,312	711,312
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>\$ 9,315,000</u>	<u>\$ 6,186,562</u>	<u>\$ 15,501,562</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 approximately 900 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 2020
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 12.98% and 13.06% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 31, 2021 were \$191,938 and were equal to the required contributions.

Net Pension Liability

Actuarial assumptions. The Total Pension Liability in the December 31, 2020 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, 2020, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018, 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 2014 through 2018. And dated December 31, 2018. These assumptions were first used in the December 31, 2020 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 2020 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 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

<i>Changes in the Net Pension Liability (Asset)</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 4,784,297	\$ 4,236,352	\$ 547,945
Changes for the year:			
Service cost	238,918		238,918
Interest	323,915		323,915
Change in benefit terms			
Difference between expected/actual experience	48,778		48,778
Changes in assumptions			
Contributions - employer		183,182	(183,182)
Contributions - employee		98,668	(98,668)
Net investment income		321,831	(321,831)
Benefit payments, including refunds of employee contributions	(210,016)	(210,016)	0
Administrative expenses		(2,081)	2,081
Other charges		(81)	81
Net changes	401,595	391,503	10,092
Balance at 12/31/2020	\$ 5,185,892	\$ 4,627,855	\$ 558,037

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)	\$ 1,377,349	\$ 558,037	\$ (107,408)

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$144,458.

At September 30, 2021, 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)	\$ 34,353	\$ 40,245
Changes in actuarial assumptions	29,138	
Differences between projected and actual investment earnings (net of current year amortization)		121,313
Contributions subsequent to the measurement date	139,818	
Total	\$ 203,309	\$ 161,558

\$139,818 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, 2021. 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,	
2022	\$ (37,482)
2023	\$ 12,714
2024	\$ (66,125)
2025	\$ (7,174)
2026	\$ 0
Thereafter	\$ 0

L. OPEB - Supplemental death benefits plan

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers 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.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.22% and 0.34% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 31, 2021 were \$4,656 and were equal to the required contributions.

Total OPEB Liability

Actuarial assumptions. The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

I. Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
- D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

II. Benefit Provisions

- A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- C. Benefit Amount — The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Discount rate. The discount rate used to measure the Total OPEB Liability was 2.00%. 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.

<i>Changes in the Total OPEB Liability</i>	Total OPEB Liability
	Balance at 12/31/2019
Changes for the year:	
Service cost	8,598
Interest	2,910
Change in benefit terms	
Difference between expected/actual experience	(18,846)
Changes in assumptions	15,496
Contributions - employer	
Contributions - employee	
Net investment income	
Benefit payments, including refunds of employee contributions	(1,128)
Administrative expenses	
Other charges	
Net changes	7,030
Balance at 12/31/2020	\$ 109,105

Sensitivity of the total OPEB liability to changes in the discount rate. The following shows the total OPEB liability calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability	\$ 135,389	\$ 109,105	\$ 89,145

OPEB plan total liability. Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$13,188.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)		\$ 18,750
Changes in actuarial assumptions	25,998	2,701
Differences between projected and actual investment earnings (net of current year amortization)		
Contributions subsequent to the measurement date	3,640	
Total	\$ 29,638	\$ 21,451

\$3,640 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30,	
2022	\$ 1,680
2023	\$ 1,329
2024	\$ 1,023
2025	\$ 515
2026	\$ 0
Thereafter	\$ 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 2021, 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, 2021, 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, 2021, 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, 2020, 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 March 31, 2022; the date which the financial statements were available for distribution. There were none noted.

P. Implementation of new GASB statements

None for the current year.

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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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUE:				
Taxes:				
General property taxes	\$ 1,012,500	\$ 1,012,500	\$ 1,047,464	\$ 34,964
General sales and use taxes	607,500	607,500	733,314	125,814
Other taxes - franchise taxes	135,000	135,000	97,985	(37,015)
Penalty and interest on delinquent taxes	14,250	14,250	14,669	419
Licenses and permits	29,100	29,100	40,321	11,221
Administrative cost allocation	385,525	385,525	372,370	(13,155)
Charges for services	8,300	8,300	58,015	49,715
Fines	336,025	336,025	336,045	20
Grants	10,000	10,000	175,648	165,648
Other revenue	104,775	104,775	33,505	(71,270)
Investment earnings	500	500	354	(146)
Total revenues	<u>2,643,475</u>	<u>2,643,475</u>	<u>2,909,690</u>	<u>266,215</u>
EXPENDITURES:				
General government	394,425	394,425	606,634	(212,209)
Senior citizens	16,700	16,700	22,512	(5,812)
Cemetery	3,350	3,350	958	2,392
Library	123,600	123,600	113,877	9,723
Police	904,775	904,775	1,089,284	(184,509)
Municipal court	253,050	253,050	241,541	11,509
Fire	47,000	47,000	53,857	(6,857)
Parks and recreation	89,275	89,275	57,752	31,523
Clyde lake	134,600	134,600	175,180	(40,580)
Code enforcement	98,325	98,325	76,336	21,989
Animal control	136,825	136,825	169,552	(32,727)
Streets	287,375	287,375	208,608	78,767
Debt service:				
Principal	92,500	92,500	145,653	(53,153)
Interest and finance charges	48,675	48,675	49,158	(483)
Total expenditures	<u>2,630,475</u>	<u>2,630,475</u>	<u>3,010,902</u>	<u>(380,427)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,000</u>	<u>13,000</u>	<u>(101,212)</u>	<u>(114,212)</u>
OTHER FINANCING RESOURCES (USES):				
Transfers in (out)	-	-	-	-
Loan proceeds	-	-	157,649	157,649
Total other financing resources (uses)	<u>-</u>	<u>-</u>	<u>191,714</u>	<u>191,714</u>
NET CHANGE IN FUND BALANCES	13,000	13,000	90,502	77,502
Fund balances - beginning	302,724	302,724	302,724	-
Fund balances - ending	<u>\$ 315,724</u>	<u>\$ 315,724</u>	<u>\$ 393,226</u>	<u>\$ 77,502</u>

CITY OF CLYDE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Plan Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 238,918	\$ 230,376	\$ 210,871	\$ 188,116	\$ 188,372	\$ 183,540	\$ 174,225
Interest (on the total pension liability)	323,915	300,578	279,125	261,537	247,132	237,880	221,960
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	48,778	(66,639)	(29,071)	11,075	(3,209)	(37,110)	(60,692)
Change of assumptions	-	60,984	-	-	-	8,327	-
Benefit payments, including refunds of employee contributions	(210,016)	(157,636)	(148,081)	(274,997)	(162,532)	(101,710)	(123,747)
Net Change in Total Pension Liability	401,595	367,663	312,844	185,731	269,763	290,927	211,746
Total Pension Liability - Beginning	4,784,297	4,416,634	4,103,790	3,918,059	3,648,296	3,357,369	3,145,623
Total Pension Liability - Ending (a)	\$ 5,185,892	\$ 4,784,297	\$ 4,416,634	\$ 4,103,790	\$ 3,918,059	\$ 3,648,296	\$ 3,357,369
Plan Fiduciary Net Position							
Contributions - employer	\$ 183,182	\$ 177,729	\$ 160,160	\$ 151,234	\$ 144,888	\$ 144,516	\$ 131,498
Contributions - employee	98,668	95,990	89,190	80,935	78,864	78,724	74,562
Net investment income	321,831	552,459	(107,245)	441,342	197,827	4,137	147,341
Benefit payments, including refunds of employee contributions	(210,016)	(157,636)	(148,081)	(274,997)	(162,532)	(101,710)	(123,747)
Administrative expense	(2,081)	(3,119)	(2,072)	(2,286)	(2,234)	(2,520)	(1,538)
Other	(81)	(94)	(108)	(116)	(120)	(124)	(126)
Net Change in Plan Fiduciary Net Position	391,503	665,329	(8,156)	396,112	256,693	123,023	227,990
Plan Fiduciary Net Position - Beginning	4,236,352	3,571,023	3,579,179	3,183,067	2,926,374	2,803,351	2,575,361
Plan Fiduciary Net Position - Ending (b)	\$ 4,627,855	\$ 4,236,352	\$ 3,571,023	\$ 3,579,179	\$ 3,183,067	\$ 2,926,374	\$ 2,803,351
Net Pension Liability - Ending (a) - (b)	\$ 558,037	\$ 547,945	\$ 845,611	\$ 524,611	\$ 734,992	\$ 721,922	\$ 554,018
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.24%	88.55%	80.85%	87.22%	81.24%	80.21%	83.50%
Covered Payroll	\$ 1,409,546	\$ 1,371,288	\$ 1,274,143	\$ 1,156,216	\$ 1,126,627	\$ 1,124,632	\$ 1,065,175
Net Pension Liability as a Percentage of Covered Payroll	39.59%	39.96%	66.37%	45.37%	65.24%	64.19%	52.01%

CITY OF CLYDE, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year Ended September 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 191,938	\$ 184,399	\$ 171,186	\$ 156,780	\$ 147,545	\$ 143,910	\$ 138,157
Contributions in relation to actuarially determined contribution	<u>(191,938)</u>	<u>(184,399)</u>	<u>(171,186)</u>	<u>(156,780)</u>	<u>(147,545)</u>	<u>(143,910)</u>	<u>(138,157)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,471,438	\$ 1,421,274	\$ 1,332,115	\$ 1,234,197	\$ 1,133,235	\$ 1,119,289	\$ 1,068,624
Contributions as a percentage of covered payroll	13.04%	12.97%	12.85%	12.70%	13.02%	12.86%	12.93%

CITY OF CLYDE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Plan Year Ended December 31,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 8,598	\$ 5,074	\$ 5,224	\$ 4,162
Interest (on the total OPEB liability)	2,910	3,065	2,765	2,676
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(18,846)	(4,690)	(2,126)	-
Change of assumptions	15,496	19,104	(5,722)	6,219
Benefit payments, including refunds of employee contributions	(1,128)	(1,097)	(892)	(809)
Net Change in Total OPEB Liability	7,030	21,456	(751)	12,248
Total OPEB Liability - Beginning	102,075	80,619	81,370	69,122
Total OPEB Liability - Ending	<u>\$ 109,105</u>	<u>\$ 102,075</u>	<u>\$ 80,619</u>	<u>\$ 81,370</u>
Covered Payroll	\$ 1,409,546	\$ 1,371,288	\$ 1,274,143	\$ 1,156,216
Total OPEB Liability as a Percentage of Covered Payroll	7.74%	7.44%	6.33%	7.04%

CITY OF CLYDE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Defined Benefit Pension Plan

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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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, 2021

	Cemetery Fund	Law Enforcement Officers Education Fund	Total Nonmajor Special Revenue Funds
ASSETS AND OTHER DEBITS			
Assets:			
Cash and cash equivalents	\$ 10,941	\$ 3,030	\$ 13,971
Total assets and other debits	\$ 10,941	\$ 3,030	\$ 13,971
 LIABILITIES AND FUND BALANCES			
Liabilities:			
	\$ -	\$ -	\$ -
Total liabilities	-	-	-
 Fund Balances:			
Unassigned	10,941	3,030	13,971
Total fund balances	10,941	3,030	13,971
Total liabilities and fund balances	\$ 10,941	\$ 3,030	\$ 13,971

CITY OF CLYDE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Cemetery Fund	Law Enforcement Officers Education Fund	Total Nonmajor Special Revenue Funds
REVENUE:			
Charges for services	\$ 5,600	\$ -	\$ 5,600
Grants	-	1,136	1,136
Investment earnings	9	1	10
Total revenues	<u>5,609</u>	<u>1,137</u>	<u>6,746</u>
EXPENDITURES:			
Cemetery	16,000	-	16,000
Police seizure training	-	640	640
Total expenditures	<u>16,000</u>	<u>640</u>	<u>16,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,391)</u>	<u>497</u>	<u>(9,894)</u>
OTHER FINANCING RESOURCES (USES):			
Transfer in (out)	-	-	-
Total other financing resources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(10,391)	497	(9,894)
Fund balances - beginning	21,332	2,533	23,865
Fund balances - ending	<u>\$ 10,941</u>	<u>\$ 3,030</u>	<u>\$ 13,971</u>

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board 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, 2021

Schedule of Customer Rates

<u>Sewer:</u>		
Customers:	1,575	
Rates:		
Residential	\$25.00 1.50	Minimum per 1,000 gallons through 8,000 gallons
Commercial	\$30.00 1.75	Minimum per 1,000 gallons
<u>Water:</u>		
Customers	1,635	
Rates:		
Residential	\$38.00 8.50 9.50 10.25	Base charge 0 - 5,999 gallons 6,000 - 10,999 gallons 11,000 + gallons
Commercial	\$50.00 9.50 10.50 11.50	Base charge 0 - 5,999 gallons 6,000 - 10,999 gallons 11,000 + gallons
Water supply districts	\$6.80 8.50 8.50	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, 2021

Insurance Company	Coverage	Policy Dates
Old Republic	Public officials liability policy - \$15,000	09/01/21 - 08/31/22
Old Republic	City administrator bond - \$250,000	09/20/21 - 09/19/22
Texas Municipal League	Commercial general liability - \$1,000,000	10/01/20 - 09/30/21
Texas Municipal League	Law enforcement liability - \$1,000,000	10/01/20 - 09/30/21
Texas Municipal League	Errors & omissions liability - \$1,000,000	10/01/20 - 09/30/21
Texas Municipal League	Auto liability & physical damage - \$1,000,000	10/01/20 - 09/30/21
Texas Municipal League	Real & personal property liability - \$6,019,700	10/01/20 - 09/30/21
Texas Municipal League	Workers' compensation - statutory amounts	10/01/20 - 09/30/21

CITY OF CLYDE, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
 AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

City Council of Clyde, Texas	Appointed Officials
Rodger Brown, mayor P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	Christopher McGuire, city administrator P.O. Box 1155 Clyde, Texas 76510 325-893-4234
Paul McGuire, 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
Jennifer Black, council member P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	Eileen Hayman, city attorney 500 Chestnut, suite 1601 Abilene, Texas 79602 325-701-7960
Tammie Coffman, council member P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	Keith Collum, municipal court judge P.O. Box 1155 Clyde, Texas 76510 325-893-3109
Thomas Martin, council member P.O. Box 1155 Clyde, Texas 76510 325-893-4234 Term of office - 2 years	
Danny White, 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, 2021

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

Annual insurance paid:	Property	\$47,101	Workers' compensation	\$32,394
	Liability	\$ 9,985	Fidelity bond	\$ 2,500

Water System:

Name of operator: Chad Sheffield Class certificate: B

Date of last chemical analysis of water: September, 2021

Number of residential/commercial users with 3/4-inch meter:	1,635	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><u>1,635</u></u>

Minimum water rate:	\$38.00	Base rate
	\$ 8.50	0 - 5,999 gallons
	\$ 9.50	6,000 - 10,999 gallons
	\$10.25	11,000 + gallons

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

Sewer System:

Number of residential sewage collection users:	1,575	Number of commercial sewage collection users:	95
--	-------	---	----

Number of users by ethnic group:	White	unknown
	Black	unknown
	Hispanic	unknown
	Asian	unknown
	American Indian	<u>unknown</u>
	Total	<u><u>1,575</u></u>

Minimum sewer rate: \$25.00
 Average gallons per residential meter: 3,800
 Average bill: \$28.00

CITY OF CLYDE, TEXAS
OPERATING SEGMENTS - WATER, SEWER, SANITATION FUND
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Administrative Department	Water Department	Sewer Department	Sanitation Department	Totals
OPERATING REVENUES:					
Charges for sales and services:					
Sales and services rendered	\$ -	\$ 1,962,898	\$ 600,350	\$ 560,831	\$ 3,124,079
Penalties on accounts	-	42,502	-	-	42,502
Intergovernmental revenue	-	50,000	-	-	50,000
Other revenue	-	19,674	-	-	19,674
Total operating revenues	<u>-</u>	<u>2,075,074</u>	<u>600,350</u>	<u>560,831</u>	<u>3,236,255</u>
OPERATING EXPENSES:					
Personnel services - salaries and benefits	201,394	300,698	233,998	-	736,090
Materials and supplies	379	4,725	4,792	-	9,896
Maintenance, operations and contracted services	-	345,918	95,865	404,893	846,676
Other expenses	-	55,037	30,067	-	85,104
Depreciation and amortization	-	128,715	95,173	-	223,888
Administrative cost allocation	336,870	-	-	-	336,870
Total operating expenses	<u>538,643</u>	<u>835,093</u>	<u>459,895</u>	<u>404,893</u>	<u>2,238,524</u>
Operating income	<u>(538,643)</u>	<u>1,239,981</u>	<u>140,455</u>	<u>155,938</u>	<u>997,731</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue	-	118	49	-	167
Interest expense and financing costs	-	(469,541)	(141)	-	(469,682)
Total non-operating revenues (expenses)	<u>-</u>	<u>(469,423)</u>	<u>(92)</u>	<u>-</u>	<u>(469,515)</u>
Income before transfers	<u>(538,643)</u>	<u>770,558</u>	<u>140,363</u>	<u>155,938</u>	<u>528,216</u>
Transfers in for debt service	-	-	-	-	-
Depreciation and amortization	<u>-</u>	<u>128,715</u>	<u>95,173</u>	<u>-</u>	<u>223,888</u>
Balance available for debt service	<u>\$ (538,643)</u>	<u>\$ 899,273</u>	<u>\$ 235,536</u>	<u>\$ 155,938</u>	<u>\$ 752,104</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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 31, 2022.

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

March 31, 2022

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CITY OF CLYDE, TEXAS
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

<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 RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021

None required.