

CITY OF CLYDE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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CITY OF CLYDE, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for City of Clyde, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, 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.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Change in Accounting Principle

As described in Note I.G.3. to the financial statements, the City adopted new accounting pronouncement, GASB Statement No. 87, *Leases* during the year. My opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

The City's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

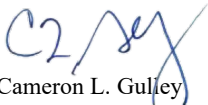
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions and Schedule of Changes 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.

Supplementary 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 May 5, 2023, 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 solely 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 the effectiveness of 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

May 5, 2023



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, 2022. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 - 12). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net position of the City's governmental activities decreased from \$2,090,169 to \$1,932,511. 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 \$4,038 to \$98,411 at September 30, 2022. Current assets increased by \$11.3 million due to cash balances. Capital assets increased by \$4.8 million due to asset additions net of depreciation expense. Long-term liabilities increased by \$15.4 million 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 \$763 thousand due to unearned federal grant receipts not expended at year-end included in cash balances plus increases in ending accounts and accrued interest 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 decreased by \$188,809. Current and other assets increased by \$9.6 million due to increases in cash balances and receivables. Capital assets increased by \$5.8 million due to asset additions in excess of depreciation expense. Long-term liabilities increased by \$15.2 million 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 \$365 thousand due to ending accounts and accrued interest payable. 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 2022	Governmental Activities 2021	Variance Increase/ (Decrease)
Current and other assets	\$ 12,393,718	\$ 1,110,969	\$ 11,282,749
Capital assets	8,179,702	3,362,241	4,817,461
Deferred outflows of resources	204,072	148,985	55,087
Total assets and deferred outflows	20,777,492	4,622,195	16,155,297
Long-term liabilities	17,187,956	1,741,014	15,446,942
Other liabilities	1,436,824	673,966	762,858
Deferred inflows of resources	220,201	117,046	103,155
Total liabilities and deferred inflows	18,844,981	2,532,026	16,312,955
Net position:			
Net investment in capital assets	(8,880,200)	2,086,131	(10,966,331)
Restricted for future construction	10,714,300	0	10,714,300
Unrestricted	98,411	4,038	94,373
Total net position	\$ 1,932,511	\$ 2,090,169	\$ (157,658)
	Business-type Activities 2022	Business-type Activities 2021	Variance Increase/ (Decrease)
Current and other assets	\$ 10,499,232	\$ 948,529	\$ 9,550,703
Capital assets	18,812,851	13,006,917	5,805,934
Deferred outflows of resources	115,007	83,962	31,045
Total assets and deferred outflows	29,427,090	14,039,408	15,387,682
Long-term liabilities	25,126,988	9,974,099	15,152,889
Other liabilities	545,228	179,759	365,469
Deferred inflows of resources	124,096	65,963	58,133
Total liabilities and deferred inflows	25,796,312	10,219,821	15,576,491
Net position:			
Net investment in capital assets	(6,245,584)	3,453,740	(9,699,324)
Restricted for debt service	337,145	2,010	335,135
Restricted for future construction	9,519,702	3,767	9,515,935
Unrestricted	19,515	360,070	(340,555)
Total net position	\$ 3,630,778	\$ 3,819,587	\$ (188,809)

Table II
City of Clyde, Texas
Changes in Net Position

	Governmental Activities 2022	Governmental Activities 2021	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 554,362	\$ 439,981	\$ 114,381
Operating grants and contributions	55,983	176,784	(120,801)
General Revenues:			
Maintenance and operations taxes	1,099,802	1,064,731	35,071
Sales and hotel/motel taxes	823,956	733,314	90,642
Franchise fees	112,174	97,985	14,189
Administrative cost allocation	760,000	372,370	387,630
Investment earnings	15,044	364	14,680
Miscellaneous and transfers	30,268	33,505	(3,237)
Total Revenues	3,451,589	2,919,034	532,555
Expenses:			
General government	519,379	471,023	(48,356)
Senior citizens	23,828	24,484	656
Cemetery	4,949	4,523	(426)
Library	129,468	118,436	(11,032)
Police and municipal court	1,253,566	1,122,233	(131,333)
Fire	169,003	127,247	(41,756)
Parks and recreation	288,064	189,344	(98,720)
Code enforcement and animal control	290,547	220,591	(69,956)
Street	472,834	367,595	(105,239)
Interest expense on long-term debt	457,609	50,668	(406,941)
Total Expenses	3,609,247	2,696,144	(913,103)
Increase in Net Position	(157,658)	222,890	(380,548)
Net Position - beginning of year	2,090,169	1,867,279	222,890
Net Position - end of year	\$ 1,932,511	\$ 2,090,169	\$ (157,658)

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

	Business-type Activities 2022	Business-type Activities 2021	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 3,439,028	\$ 3,164,190	\$ 274,838
Operating grants and contributions	65,500	50,000	15,500
Investment income	40,468	167	40,301
Miscellaneous and transfers	22,381	22,065	316
Total Revenues	3,567,377	3,236,422	330,955
Expenses:			
Water, sewer and sanitation	2,967,917	2,238,524	(729,393)
Interest expense	788,269	469,682	(318,587)
Total Expenses	3,756,186	2,708,206	(1,047,980)
Increase in Net Position	(188,809)	528,216	(717,025)
Net Position - beginning of year	3,819,587	3,291,371	528,216
Net Position - end of year	\$ 3,630,778	\$ 3,819,587	\$ (188,809)

The City's total revenues of its governmental activities were higher by \$532,555 from last fiscal year. Charges for services were higher by \$114 thousand primarily due to municipal court fines and fees. Operating grants and contributions decreased due to prior year federally-funded COVID relief grant activity. Property taxes were higher by \$35 thousand due to higher taxable valuations. Sales and franchise fees were higher by approximately \$105 thousand. Administrative cost allocation fees were higher by \$388 thousand for fees charged to the enterprise fund.

Total expenses of the City's governmental activities increased by approximately \$913 thousand from the previous year. General government, library, police and municipal court, public recreation and culture, code enforcement and animal control, and streets increased in large part due to payroll costs. Additionally, police and municipal court increased due to court fees and depreciation expense, fire increased due to non-capitalized fire equipment, public recreation and culture increased due to utilities and depreciation expense, code enforcement and animal control increased due to permits and legal fees, and streets increased due to utilities and street maintenance.

The City's total revenues of its business-type activities increased by \$330,955 from the previous year. Charges for services increased by \$275 thousand due to higher sales volumes. Investment income increased by \$40 thousand due to higher investable cash balances.

Total expenses of the business-type activities increased by approximately \$1.05 million from the previous year. The most significant cost increase was for administrative fees to the governmental funds which were higher by approximately \$388 thousand. Additionally, payroll costs increased by \$72 thousand, professional fees increased by \$58 thousand, maintenance expenses increased by \$117 thousand, water source purchases increased by \$40 thousand, utilities increased by \$14 thousand, sanitation fees increased by \$30 thousand and interest expense increased by \$319 thousand due to higher debt loads.

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 \$11,178,493, an increase of \$10,771,296 in the City’s governmental funds from last year’s fund balance of \$407,197.

The City Commission did not amend its general fund budget.

The City’s General Fund balance of \$11,162,507 reported on pages 15 and 37 differs from the projected budgetary fund balance of (\$132,411) due financing activity not incorporated in the current year’s budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the City had \$41,626,748 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 \$11,237,435 from last fiscal year. This year’s major additions included:

Infrastructure improvements - community complex	\$ 3,345,782
Lake cabins	325,517
Parks and recreation building	704,271
Police department building and furnishings	684,304
Senior citizens/community center building	45,000
City hall furnishings and council equipment	39,312
City digital sign	21,200
Garbage truck equipment (3 vehicles)	777,184
Infrastructure improvements - water & sewer	5,255,113
Other equipment	39,752
Total	\$ 11,237,435

Debt

At year-end, the City had \$40,036,894 in bonds and notes payable outstanding as shown below.

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Bonds	\$ 14,990,000	\$ 695,000	\$ 9,070,000	\$ 9,315,000
Notes	486,403	569,395	15,490,491	39,048
Total	\$ 15,476,403	\$ 1,264,395	\$ 24,560,491	\$ 9,354,048

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City should continue to maintain its financial health during the 2022-23 fiscal year. Continued infrastructure improvements begun during the 2021-22 fiscal year will continue throughout the coming fiscal year. The City will also begin servicing its own sanitation collections which should lower overall operational costs for the sanitation department. Sales tax revenues will continue to grow as new businesses continue to re-locate along the City’s interstate corridor. Three new housing additions have also begun construction and should add approximately 150 new homes to the City’s tax rolls. All of these new economic improvements should supplement the costs of debt service for the \$31 million in debt added during the 2021-22 fiscal year.

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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 12,344,732	\$ 9,988,792	\$ 22,333,524	\$ 520,629
Receivables (net of allowance for uncollectibles):				
Property taxes	36,279	-	36,279	-
Accounts receivable	-	412,366	412,366	-
Other	63,223	-	63,223	22,482
Prepaid expenses	-	-	-	39,000
Internal balances	(50,516)	50,516	-	-
Deferred charges	-	47,558	47,558	-
Notes receivable	-	-	-	76,600
Capital assets:				
Land	326,528	10,505,776	10,832,304	17,143
Construction in progress	3,345,782	5,387,821	8,733,603	-
Buildings and improvements	3,833,986	1,218,361	5,052,347	-
Machinery and equipment	2,628,259	1,698,089	4,326,348	-
Infrastructure	5,204,791	7,477,355	12,682,146	-
Less: accumulated depreciation	(7,159,644)	(7,474,551)	(14,634,195)	-
Net capital assets	8,179,702	18,812,851	26,992,553	17,143
Total assets	20,573,420	29,312,083	49,885,503	675,854
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to TMRS pension	188,372	106,160	294,532	-
Deferred outflows related to TMRS OPEB	15,700	8,847	24,547	-
Total deferred outflows of resources	204,072	115,007	319,079	-
LIABILITIES				
Accounts payable	207,037	144,980	352,017	-
Accrued liabilities and other payables	23,687	15,507	39,194	-
Accrued interest payable	257,878	384,741	642,619	-
Unearned revenue	948,222	-	948,222	-
Notes payable - current	42,566	642,474	685,040	-
Bonds payable - current	55,000	260,000	315,000	-
Noncurrent liabilities:				
Notes payable - due in more than one year	443,837	14,848,017	15,291,854	-
Bonds payable - due in more than one year	16,260,621	8,923,203	25,183,824	-
Accrued compensable absences payable	60,218	36,218	96,436	-
Customer deposits	-	233,520	233,520	-
Net pension liability related to TMRS	250,195	140,999	391,194	-
Total OPEB liability related to TMRS	75,519	42,557	118,076	-
Total liabilities	18,624,780	25,672,216	44,296,996	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to TMRS pension	208,121	117,288	325,409	-
Deferred inflows related to TMRS OPEB	12,080	6,808	18,888	-
Total deferred inflows of resources	220,201	124,096	344,297	-
NET POSITION				
Net investment in capital assets	(8,880,200)	(6,245,584)	(15,125,784)	17,143
Restricted for debt service	-	337,145	337,145	-
Restricted for future construction	10,714,300	9,519,702	20,234,002	-
Unrestricted	98,411	19,515	117,926	658,711
Total net position	\$ 1,932,511	\$ 3,630,778	\$ 5,563,289	\$ 675,854

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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	\$ 519,379	\$ 37,863	\$ -	\$ (481,516)	\$ -	\$ (481,516)	\$ -
Senior citizens	23,828	-	-	(23,828)	-	(23,828)	-
Cemetery	4,949	2,400	-	(2,549)	-	(2,549)	-
Library	129,468	-	-	(129,468)	-	(129,468)	-
Police	964,355	46,595	983	(916,777)	-	(916,777)	-
Municipal court	289,211	429,602	-	140,391	-	140,391	-
Fire	169,003	-	-	(169,003)	-	(169,003)	-
Parks and recreation	139,382	24,532	55,000	(59,850)	-	(59,850)	-
Clyde lake	148,682	-	-	(148,682)	-	(148,682)	-
Code enforcement	119,415	-	-	(119,415)	-	(119,415)	-
Animal control	171,132	13,370	-	(157,762)	-	(157,762)	-
Street	472,834	-	-	(472,834)	-	(472,834)	-
Interest expense on long-term debt	457,609	-	-	(457,609)	-	(457,609)	-
Total governmental activities	3,609,247	554,362	55,983	(2,998,902)	-	(2,998,902)	-
Business-type activities:							
Water, sewer and sanitation	2,242,917	3,439,028	65,500	-	1,261,611	1,261,611	-
Interest expense on long-term debt	788,269	-	-	-	(788,269)	(788,269)	-
Total business-type activities	3,031,186	3,439,028	65,500	-	473,342	473,342	-
Total primary government	\$ 6,640,433	\$ 3,993,390	\$ 121,483	(2,998,902)	473,342	(2,525,560)	-
Component units:							
Clyde Economic Development Corporation	375,358	-	-	-	-	-	(375,358)
Total component units	\$ 375,358	\$ -	\$ -	-	-	-	(375,358)
General revenues:							
Property taxes				1,099,802	-	1,099,802	-
Sales taxes				823,956	-	823,956	274,652
Franchise taxes				112,174	-	112,174	-
Administrative cost allocation				760,000	(725,000)	35,000	(35,000)
Investment income				15,044	40,468	55,512	3,193
Other revenues				30,268	22,381	52,649	2,400
Total general revenues				2,841,244	(662,151)	2,179,093	245,245
Changes in net position				(157,658)	(188,809)	(346,467)	(130,113)
Beginning net position				2,090,169	3,819,587	5,909,756	805,967
Ending net position				\$ 1,932,511	\$ 3,630,778	\$ 5,563,289	\$ 675,854

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 12,328,746	\$ 15,986	\$ 12,344,732
Receivables (net of allowance for uncollectibles):			
Property taxes	36,279	-	36,279
Other	63,223	-	63,223
Total assets	<u>\$ 12,428,248</u>	<u>\$ 15,986</u>	<u>\$ 12,444,234</u>
LIABILITIES			
Accounts payable	\$ 207,037	\$ -	\$ 207,037
Accrued liabilities and other payables	23,687	-	23,687
Unearned revenue	948,222	-	948,222
Due to other funds	50,516	-	50,516
Total liabilities	<u>1,229,462</u>	<u>-</u>	<u>1,229,462</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	36,279	-	36,279
Total deferred inflows of resources	<u>36,279</u>	<u>-</u>	<u>36,279</u>
FUND BALANCES			
Restricted for future construction	10,714,300		10,714,300
Unassigned	448,207	15,986	464,193
Total fund balances	<u>11,162,507</u>	<u>15,986</u>	<u>11,178,493</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,428,248</u>	<u>\$ 15,986</u>	<u>\$ 12,444,234</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, 2022

	<u>Primary Government</u>
Total Fund Balances - Governmental Funds	\$ 11,178,493
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 \$10,134,208 and the accumulated depreciation was \$6,771,967. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	2,086,131
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.	5,111,778
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(387,677)
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 (\$250,195), a deferred resource inflow in the amount of (\$208,121) and a deferred resource outflow in the amount of \$188,372. This resulted in an increase/(decrease) in net position.	(269,944)
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 (\$75,519), a deferred resource inflow in the amount of (\$12,080) and a deferred resource outflow in the amount of \$15,700. This resulted in an increase/(decrease) in net position.	(59,819)
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.	(15,726,451)
Net Position of Governmental Activities	<u><u>\$ 1,932,511</u></u>

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, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUE:			
Taxes:			
General property taxes	\$ 1,088,605	\$ -	\$ 1,088,605
General sales and use taxes	823,956	-	823,956
Other taxes - franchise taxes	112,174	-	112,174
Penalty and interest on delinquent taxes	16,439	-	16,439
Licenses and permits	59,315	-	59,315
Administrative cost allocation	760,000	-	760,000
Charges for services	63,045	2,400	65,445
Fines	429,602	-	429,602
Grants	55,000	983	55,983
Other revenue	30,268	-	30,268
Investment earnings	14,936	108	15,044
Total revenues	<u>3,453,340</u>	<u>3,491</u>	<u>3,456,831</u>
EXPENDITURES:			
General government	557,552	-	557,552
Senior citizens	66,406	-	66,406
Cemetery	1,118	-	1,118
Library	124,100	-	124,100
Police	1,020,644	-	1,020,644
Police seizure training	-	1,476	1,476
Municipal court	290,711	-	290,711
Fire	106,864	-	106,864
Parks and recreation	5,092,352	-	5,092,352
Clyde lake	145,805	-	145,805
Code enforcement	120,037	-	120,037
Animal control	170,393	-	170,393
Streets	314,260	-	314,260
Debt service:			
Principal	137,992	-	137,992
Interest and finance charges	226,257	-	226,257
Total expenditures	<u>8,374,491</u>	<u>1,476</u>	<u>8,375,967</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,921,151)</u>	<u>2,015</u>	<u>(4,919,136)</u>
OTHER FINANCING RESOURCES (USES):			
Loan proceeds	15,690,432	-	15,690,432
Total other financing resources (uses)	<u>15,690,432</u>	<u>-</u>	<u>15,690,432</u>
NET CHANGE IN FUND BALANCES	10,769,281	2,015	10,771,296
Fund balances - beginning	393,226	13,971	407,197
Fund balances - ending	<u>\$ 11,162,507</u>	<u>\$ 15,986</u>	<u>\$ 11,178,493</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, 2022

	<u>Primary Government</u>
Net change in fund balances - total governmental funds	\$ 10,771,296
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.	5,111,778
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.	(387,677)
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 12/31/21 caused the change in the ending net position to increase in the amount of \$110,676. 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 (\$89,423). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$39,004. The result of these changes is to increase/(decrease) the change in net position.	60,257
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 12/31/21 caused the change in the ending net position to increase in the amount of \$2,136. 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 (\$2,328). The City's reported TMRS total OPEB expense had to be recorded. The total OPEB expense increased/(decreased) the change in net position by (\$7,163). The result of these changes is to increase/(decrease) the change in net position.	(7,355)
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.	(15,705,957)
Change in net position of governmental activities	<u><u>\$ (157,658)</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Enterprise Fund
	Water, Sewer & Sanitation Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 9,988,792
Accounts receivable (net of allowance for uncollectibles)	412,366
Due from other funds	50,516
Total current assets	10,451,674
Noncurrent assets:	
Deferred charges	47,558
Capital assets:	
Land	10,505,776
Construction in progress	5,387,821
Buildings and improvements	1,218,361
Machinery and equipment	1,698,089
Infrastructure	7,477,355
Less: accumulated depreciation	(7,474,551)
Net capital assets	18,812,851
Total noncurrent assets	18,860,409
Total assets	29,312,083
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TMRS pension	106,160
Deferred outflows related to TMRS OPEB	8,847
Total deferred outflows of resources	115,007
LIABILITIES:	
Current liabilities:	
Accounts payable	144,980
Accrued wages and withholdings	15,507
Accrued interest payable	384,741
Current portion of long-term liabilities	902,474
Total current liabilities	1,447,702
Noncurrent liabilities:	
Revenue bonds payable	9,183,203
Notes payable	15,490,491
Accrued compensable absences payable	36,218
Customer deposits	233,520
Net pension liability related to TMRS	140,999
Total OPEB liability related to TMRS	42,557
Less: current portion of long-term liabilities	(902,474)
Total noncurrent liabilities	24,224,514
Total liabilities	25,672,216
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS pension	117,288
Deferred inflows related to TMRS OPEB	6,808
Total deferred inflows of resources	124,096
NET POSITION:	
Net investment in capital assets	(6,245,584)
Restricted for debt service	337,145
Restricted for future construction	9,519,702
Unrestricted net position	19,515
Total net position	\$ 3,630,778

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, 2022

	Enterprise Fund
	Water, Sewer & Sanitation Fund
OPERATING REVENUES:	
Charges for sales and services:	
Water sales - retail	\$ 1,529,963
Water sales - wholesale	646,400
Sewer charges	602,372
Sanitation charges	587,133
Penalties on accounts	39,266
Other services	33,894
Intergovernmental revenue	65,500
Other revenue	22,381
Total operating revenues	3,526,909
OPERATING EXPENSES:	
Personnel services - salaries and wages	623,300
Personnel services - employee benefits	184,545
Purchased professional and technical services	77,462
Administrative cost allocation	725,000
Operations, maintenance and repairs	458,534
General insurance	41,826
Supplies	13,510
Utilities	92,548
Water purchases	39,075
Landfill expenses	435,182
Depreciation	226,363
Bad debts	11,837
Other expenses	38,735
Total operating expenses	2,967,917
Operating income	558,992
NON-OPERATING REVENUES (EXPENSES):	
Interest revenue	40,468
Interest expense and financing costs	(788,269)
Total non-operating revenues (expenses)	(747,801)
Income before transfers	(188,809)
TRANSFERS IN (OUT):	
Transfers in	-
Transfers out	-
Net transfers in (out)	-
Change in net position	(188,809)
Net position - beginning	3,819,587
Net position - ending	\$ 3,630,778

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, 2022

	Enterprise Fund
	Water, Sewer & Sanitation Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,397,449
Cash payments to employees for services	(836,940)
Cash payments to other suppliers for goods and services	(1,137,141)
Cash payments for administrative services	(725,000)
Other operating cash receipts (payments)	87,881
Net cash provided by operating activities	786,249
Cash flows from non-capital financing activities:	
Proceeds from increased customer deposits	3,880
Net interfund borrowing activity	(50,516)
Net cash used for non-capital financing activities	(46,636)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,032,297)
Proceeds from long-term debt	15,469,098
Debt service principal payments	(262,655)
Debt service interest and fiscal agent fee payments	(486,315)
Net cash provided by capital and related financing activities	8,687,831
Cash flows from investing activities:	
Interest and dividends on investments	40,468
Net cash provided by investing activities	40,468
Net increase in cash and cash equivalents	9,467,912
Cash and cash equivalents - beginning of year (restated)	520,880
Cash and cash equivalents - end of year	\$ 9,988,792
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 558,992
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	226,363
Change in net pension/OPEB liability and related deferred resources	(29,814)
Change in assets and liabilities:	
Decrease (increase) in receivables and prepaid expenses	(35,414)
Increase (decrease) in accounts payable	65,403
Increase (decrease) in accrued wages payable	719
Net cash provided (used) by operating activities	\$ 786,249

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, 2022

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. The City implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control over another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments made over the term of the lease and the interest included in the lease payments is recorded as an expense. There were no leases material to the financial statements that were recorded during the year audited.

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

4. The City's policy does permit employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

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

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

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

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

City Policies Concerning Fund Balances are as follows:

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

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

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

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

At September 30, 2022, 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 was not amended during the year.

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

Department	Amt Over Budget	Variance Description
General government	\$ 147,072	Capital expenditures not budgeted for digital sign and council chamber equipment; payroll expenditures for insurance and retirement more than budgeted; materials and supplies more than budgeted; and professional fees more than budgeted.
Senior citizens	\$ 48,656	Senior citizens building purchase not budgeted.
Police	\$ 86,773	Police equipment and building not budgeted.
Municipal court	\$ 36,366	Municipal court fees higher than budgeted.
Parks and recreation	\$ 4,502,129	Parks and recs community center capital expenditures not budgeted.
Code enforcement	\$ 17,560	Permit fees and vehicle expenditures more than budgeted.
Animal control	\$ 28,865	Salaries and capital expenditures more than budgeted.
Debt service - principal	\$ 67,192	Debt service principal more than budgeted.
Debt service - interest	\$ 217,257	Debt service fees for new debt acquired 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, 2022, the City had no investments.

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, 2022, 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 at March 31, 2022 consisted of the following individual fund balances:

Fund	Due From	Due To	Purpose	Current?
Enterprise Fund	\$ 50,516		Interfund activity	Yes
General Fund		50,516	Interfund activity	Yes
Total	<u>\$ 50,516</u>	<u>\$ 50,516</u>		

Transfers are as follows:

None.

E. Disaggregation of receivables and payables

Receivables at September 30, 2022 were as follows:

	Property Taxes	Accounts	Other	Total Receivables
Governmental Activities:				
General Fund	<u>\$ 36,279</u>		<u>\$ 63,223</u>	<u>\$ 99,502</u>
Business-type Activities:				
Water, Sewer & Sanitation Fund		<u>\$ 412,366</u>		<u>\$ 412,366</u>

Payables at September 30, 2022 were as follows:

	Accounts	Salaries and Benefits	Interest	Total Payables
Governmental Activities:				
General Fund	\$ 207,037	\$ 23,687	\$ 257,878	\$ 488,602
Business-type Activities:				
Water, Sewer & Sanitation Fund	\$ 144,980	\$ 15,507	\$ 384,741	\$ 545,228

F. Capital asset activity

Capital asset activity for the City for the year ended September 30, 2022, was as follows:

	Balance 9/30/2021	Additions	Deletions	Balance 9/30/2022
Governmental activities:				
Land	\$ 326,528			\$ 326,528
Construction in progress		3,345,782		3,345,782
Buildings and improvements	2,104,029	1,729,957		3,833,986
Machinery and equipment	2,518,192	110,067		2,628,259
Infrastructure	5,185,459	19,332		5,204,791
Totals	10,134,208	5,205,138		15,339,346
Less accum depreciation for:				
Buildings and improvements	780,265	60,514		840,779
Machinery and equipment	1,755,431	154,590		1,910,021
Infrastructure	4,236,271	172,573		4,408,844
Total accum depreciation	6,771,967	387,677		7,159,644
Governmental activities capital assets, net	\$ 3,362,241	\$ 4,817,461		\$ 8,179,702
Business-type activities:				
Land	\$ 10,505,776			\$ 10,505,776
Construction in progress	143,399	5,244,422		5,387,821
Buildings and improvements	1,218,361			1,218,361
Machinery and equipment	920,905	777,184		1,698,089
Infrastructure	7,466,664	10,691		7,477,355
Totals	20,255,105	6,032,297		26,287,402
Less accum depreciation for:				
Buildings and improvements	806,042	24,300		830,342
Machinery and equipment	714,505	40,219		754,724
Infrastructure	5,727,641	161,844		5,889,485
Total accum depreciation	7,248,188	226,363		7,474,551
Business-type activities capital assets, net	\$ 13,006,917	\$ 5,805,934		\$ 18,812,851

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

Governmental activities:

General government	\$ 26,471
Senior citizens	2,422
Cemetery	3,831
Library	7,158
Police	63,139
Fire	74,640
Parks and recreation	29,698
Clyde lake	7,774
Code enforcement	800
Animal control	12,624
Streets	159,120
Total depreciation expense - governmental activities	<u>\$ 387,677</u>

Business-type activities:

Water	\$ 130,053
Sewer	96,310
Total depreciation expense - business-type activities	<u>\$ 226,363</u>

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, 2022, principal of \$640,000 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, 2022, principal of \$7,060,000 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, 2022, principal of \$2,010,000 was outstanding.

In May, 2022, the City issued Combination Tax and Surplus Revenue Certificates of Obligation, Series 2022 in the principal amount of \$14,350,000, with interest rates ranging from 4% to 5%. Payments of principal and interest are due on February 1 and August 1 of each year through 2052. As of September 30, 2022, principal of \$14,350,000 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, 2022, principal of \$442,539 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, 2022, principal of \$43,864 was outstanding.

The City acquired a six-year financing instrument (formerly known as a “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, 2022, principal of \$21,393 was outstanding.

The City acquired a twenty-year financing instrument (formerly known as a “capital lease obligation”) to finance infrastructure improvements in December, 2021. Total amount financed was \$15,469,098 at an imputed interest rate of 2.79% payable in annual installments of \$1,017,223. At September 30, 2022, principal of \$15,469,098 was outstanding.

A summary of changes in general long-term debt for the year ended September 30, 2022 is as follows:

Description	Amounts Outstanding 10/1/2021	Issued	Retired	Amounts Outstanding 9/30/2022	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation bonds	\$ 695,000	\$ 14,350,000	\$ 55,000	\$ 14,990,000	\$ 55,000
Notes payable	569,395		82,992	486,403	42,566
Bond premiums	0	1,340,432	14,811	1,325,621	0
Accrued compensable absences	49,935	60,218	49,935	60,218	0
Net pension liability	356,903	363,901	470,609	250,195	0
Total OPEB liability	69,781	5,738		75,519	0
Total Governmental Activities	\$ 1,741,014	\$ 16,120,289	\$ 673,347	\$ 17,187,956	\$ 97,566
Business-type activities:					
Revenue and tax bonds	\$ 9,315,000		\$ 245,000	\$ 9,070,000	\$ 260,000
Notes payable	39,048	15,469,098	17,655	15,490,491	642,474
Bond premiums	121,694		8,491	113,203	0
Accrued compensable absences	28,259	36,218	28,259	36,218	0
Customer deposits	229,640	37,200	33,320	233,520	0
Net pension liability	201,134	205,078	265,213	140,999	0
Total OPEB liability	39,324	3,233		42,557	0
Total Business-type Activities	\$ 9,974,099	\$ 15,750,827	\$ 597,938	\$ 25,126,988	\$ 902,474

H. Debt service requirements - bonds and notes payable

The annual debt service requirements to maturity for long-term notes payable as of September 30, 2022 are as follows:

Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 97,566	\$ 883,738	\$ 981,304	\$ 902,474	\$ 847,550	\$ 1,750,024
2024	104,119	748,098	852,217	875,963	855,731	1,731,694
2025	110,727	744,090	854,817	904,870	824,191	1,729,061
2026	116,741	739,822	856,563	937,165	791,371	1,728,536
2027	142,923	735,090	878,013	969,942	757,245	1,727,187
2028-2032	1,163,947	3,556,420	4,720,367	5,379,213	3,237,142	8,616,355
2033-2037	1,995,380	3,205,654	5,201,034	6,349,213	2,238,481	8,587,694
2038-2042	2,975,000	2,658,000	5,633,000	7,576,651	1,012,967	8,589,618
2043-2047	3,855,000	1,825,750	5,680,750	665,000	33,250	698,250
2048-2052	4,915,000	761,000	5,676,000	0	0	0
	\$ 15,476,403	\$ 15,857,662	\$ 31,334,065	\$ 24,560,491	\$ 10,597,928	\$ 35,158,419

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
2023	\$ 315,000	\$ 1,319,875	\$ 1,634,875
2024	330,000	1,173,587	1,503,587
2025	350,000	1,156,488	1,506,488
2026	385,000	1,138,362	1,523,362
2027	425,000	1,118,463	1,543,463
2028-2032	2,800,000	5,228,037	8,028,037
2033-2037	4,155,000	4,436,325	8,591,325
2038-2042	5,865,000	3,271,500	9,136,500
2043-2047	4,520,000	1,859,000	6,379,000
2048-2052	4,915,000	761,000	5,676,000
	<u>\$ 24,060,000</u>	<u>\$ 21,462,637</u>	<u>\$ 45,522,637</u>

I. 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.

J. 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 2021
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 13.06% and 13.47% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 31, 2022 were \$234,490 and were equal to the required contributions.

Net Pension Liability

Actuarial assumptions. The Total Pension Liability in the December 31, 2021 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, 2021, 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, 2021 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation. The long-term expected rate of return on pension plan investments 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 12/31/2020	\$ 5,185,892	\$ 4,627,855	\$ 558,037
Changes for the year:			
Service cost	263,364		263,364
Interest	353,053		353,053
Change in benefit terms			
Difference between expected/actual experience	126,889		126,889
Changes in assumptions			
Contributions - employer		201,260	(201,260)
Contributions - employee		107,873	(107,873)
Net investment income		603,788	(603,788)
Benefit payments, including refunds of employee contributions	(174,327)	(174,327)	0
Administrative expenses		(2,791)	2,791
Other charges		19	(19)
Net changes	568,979	735,822	(166,843)
Balance at 12/31/2021	\$ 5,754,871	\$ 5,363,677	\$ 391,194

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)	\$ 1,279,588	\$ 391,194	\$ (332,308)

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, 2022, the City recognized pension expense of \$140,275.

At September 30, 2022, 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)	\$ 108,269	\$ 15,957
Changes in actuarial assumptions	13,215	
Differences between projected and actual investment earnings (net of current year amortization)		309,452
Contributions subsequent to the measurement date	173,048	
Total	\$ 294,532	\$ 325,409

\$173,048 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, 2022. 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,	
2023	\$ (8,466)
2024	\$ (87,305)
2025	\$ (49,873)
2026	\$ (58,281)
2027	\$ 0
Thereafter	\$ 0

K. 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 0.34% and 0.26% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 31, 2022 were \$4,940 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 1.84%. 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 12/31/2020	\$ 109,105
Changes for the year:	
Service cost	10,941
Interest	2,256
Change in benefit terms	
Difference between expected/actual experience	(4,646)
Changes in assumptions	3,964
Contributions - employer	
Contributions - employee	
Net investment income	
Benefit payments, including refunds of employee contributions	(3,544)
Administrative expenses	
Other charges	
Net changes	8,971
Balance at 12/31/2021	\$ 118,076

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 1.84%, 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 (0.84%) or 1 percentage point higher (2.84%) than the current rate.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB liability	\$ 147,113	\$ 118,076	\$ 95,998

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.tmr.com.

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$14,744.

At September 30, 2022, 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)		\$ 17,194
Changes in actuarial assumptions	21,207	1,694
Differences between projected and actual investment earnings (net of current year amortization)		
Contributions subsequent to the measurement date	3,340	
Total	\$ 24,547	\$ 18,888

\$3,340 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, 2022. 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,	
2023	\$ 1,195
2024	\$ 889
2025	\$ 381
2026	\$ (134)
2027	\$ (12)
Thereafter	\$ 0

L. 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 2022, 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.

M. Health care coverage

During the year ended September 30, 2022, 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, 2022, 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, 2021, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

N. Subsequent event

Management has evaluated subsequent events through May 5, 2023; the date which the financial statements were available for distribution. There were none noted.

O. Implementation of new GASB statements

The City implemented GASB 87, *Leases*, during the current year under audit. There were no lease liabilities which met the standard for accrual except for former capital lease liabilities which have been re-characterized as loans in the City’s financial statements.

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUE:				
Taxes:				
General property taxes	\$ 1,072,302	\$ 1,072,302	\$ 1,088,605	\$ 16,303
General sales and use taxes	820,000	820,000	823,956	3,956
Other taxes - franchise taxes	135,000	135,000	112,174	(22,826)
Penalty and interest on delinquent taxes	-	-	16,439	16,439
Licenses and permits	6,500	6,500	59,315	52,815
Administrative cost allocation	385,525	385,525	760,000	374,475
Charges for services	200	200	63,045	62,845
Fines	325,500	325,500	429,602	104,102
Grants	10,000	10,000	55,000	45,000
Other revenue	15,800	15,800	30,268	14,468
Investment earnings	-	-	14,936	14,936
Total revenues	<u>2,770,827</u>	<u>2,770,827</u>	<u>3,453,340</u>	<u>682,513</u>
EXPENDITURES:				
General government	410,480	410,480	557,552	(147,072)
Senior citizens	17,750	17,750	66,406	(48,656)
Cemetery	4,450	4,450	1,118	3,332
Library	146,197	146,197	124,100	22,097
Police	933,871	933,871	1,020,644	(86,773)
Municipal court	254,345	254,345	290,711	(36,366)
Fire	129,037	129,037	106,864	22,173
Parks and recreation	590,223	590,223	5,092,352	(4,502,129)
Clyde lake	167,041	167,041	145,805	21,236
Code enforcement	102,477	102,477	120,037	(17,560)
Animal control	141,528	141,528	170,393	(28,865)
Streets	319,265	319,265	314,260	5,005
Debt service:				
Principal	70,800	70,800	137,992	(67,192)
Interest and finance charges	9,000	9,000	226,257	(217,257)
Total expenditures	<u>3,296,464</u>	<u>3,296,464</u>	<u>8,374,491</u>	<u>(5,078,027)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(525,637)</u>	<u>(525,637)</u>	<u>(4,921,151)</u>	<u>(4,395,514)</u>
OTHER FINANCING RESOURCES (USES):				
Loan proceeds	-	-	15,690,432	15,690,432
Total other financing resources (uses)	<u>-</u>	<u>-</u>	<u>15,690,432</u>	<u>15,690,432</u>
NET CHANGE IN FUND BALANCES	(525,637)	(525,637)	10,769,281	11,294,918
Fund balances - beginning	393,226	393,226	393,226	-
Fund balances - ending	<u>\$ (132,411)</u>	<u>\$ (132,411)</u>	<u>\$ 11,162,507</u>	<u>\$ 11,294,918</u>

CITY OF CLYDE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 263,364	\$ 238,918	\$ 230,376	\$ 210,871	\$ 188,116	\$ 188,372	\$ 183,540	\$ 174,225
Interest (on the total pension liability)	353,053	323,915	300,578	279,125	261,537	247,132	237,880	221,960
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	126,889	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	(174,327)	(210,016)	(157,636)	(148,081)	(274,997)	(162,532)	(101,710)	(123,747)
Net Change in Total Pension Liability	568,979	401,595	367,663	312,844	185,731	269,763	290,927	211,746
Total Pension Liability - Beginning	5,185,892	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)	\$ 5,754,871	\$ 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	\$ 201,260	\$ 183,182	\$ 177,729	\$ 160,160	\$ 151,234	\$ 144,888	\$ 144,516	\$ 131,498
Contributions - employee	107,873	98,668	95,990	89,190	80,935	78,864	78,724	74,562
Net investment income	603,788	321,831	552,459	(107,245)	441,342	197,827	4,137	147,341
Benefit payments, including refunds of employee contributions	(174,327)	(210,016)	(157,636)	(148,081)	(274,997)	(162,532)	(101,710)	(123,747)
Administrative expense	(2,791)	(2,081)	(3,119)	(2,072)	(2,286)	(2,234)	(2,520)	(1,538)
Other	19	(81)	(94)	(108)	(116)	(120)	(124)	(126)
Net Change in Plan Fiduciary Net Position	735,822	391,503	665,329	(8,156)	396,112	256,693	123,023	227,990
Plan Fiduciary Net Position - Beginning	4,627,855	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)	\$ 5,363,677	\$ 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)	\$ 391,194	\$ 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	93.20%	89.24%	88.55%	80.85%	87.22%	81.24%	80.21%	83.50%
Covered Payroll	\$ 1,541,041	\$ 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	25.39%	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, 2022

	Fiscal Year Ended September 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 234,490	\$ 191,938	\$ 184,399	\$ 171,186	\$ 156,780	\$ 147,545	\$ 143,910	\$ 138,157
Contributions in relation to actuarially determined contribution	<u>(234,490)</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 1,755,149	\$ 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	13.36%	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, 2022

	Plan Year Ended December 31,				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 10,941	\$ 8,598	\$ 5,074	\$ 5,224	\$ 4,162
Interest (on the total OPEB liability)	2,256	2,910	3,065	2,765	2,676
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(4,646)	(18,846)	(4,690)	(2,126)	-
Change of assumptions	3,964	15,496	19,104	(5,722)	6,219
Benefit payments, including refunds of employee contributions	(3,544)	(1,128)	(1,097)	(892)	(809)
Net Change in Total OPEB Liability	8,971	7,030	21,456	(751)	12,248
Total OPEB Liability - Beginning	109,105	102,075	80,619	81,370	69,122
Total OPEB Liability - Ending	<u>\$ 118,076</u>	<u>\$ 109,105</u>	<u>\$ 102,075</u>	<u>\$ 80,619</u>	<u>\$ 81,370</u>
Covered Payroll	\$ 1,541,041	\$ 1,409,546	\$ 1,371,288	\$ 1,274,143	\$ 1,156,216
Total OPEB Liability as a Percentage of Covered Payroll	7.66%	7.74%	7.44%	6.33%	7.04%

CITY OF CLYDE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022

	Cemetery Fund	Law Enforcement Officers Education Fund	Total Nonmajor Special Revenue Funds
ASSETS AND OTHER DEBITS			
Assets:			
Cash and cash equivalents	\$ 13,431	\$ 2,555	\$ 15,986
Total assets and other debits	\$ 13,431	\$ 2,555	\$ 15,986
 LIABILITIES AND FUND BALANCES			
Liabilities:			
	\$ -	\$ -	\$ -
Total liabilities	-	-	-
 Fund Balances:			
Unassigned	13,431	2,555	15,986
Total fund balances	13,431	2,555	15,986
Total liabilities and fund balances	\$ 13,431	\$ 2,555	\$ 15,986

CITY OF CLYDE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Cemetery Fund	Law Enforcement Officers Education Fund	Total Nonmajor Special Revenue Funds
REVENUE:			
Charges for services	\$ 2,400	\$ -	\$ 2,400
Grants	-	983	983
Investment earnings	90	18	108
Total revenues	<u>2,490</u>	<u>1,001</u>	<u>3,491</u>
EXPENDITURES:			
Cemetery	-	-	-
Police seizure training	-	1,476	1,476
Total expenditures	<u>-</u>	<u>1,476</u>	<u>1,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,490</u>	<u>(475)</u>	<u>2,015</u>
OTHER FINANCING RESOURCES (USES):			
Transfer in (out)	-	-	-
Total other financing resources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,490	(475)	2,015
Fund balances - beginning	10,941	3,030	13,971
Fund balances - ending	<u>\$ 13,431</u>	<u>\$ 2,555</u>	<u>\$ 15,986</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, 2022

Schedule of Customer Rates

<u>Sewer:</u>		
Customers:	1,591	
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	1,651	
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, 2022

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	10/01/21 - 09/30/22
Texas Municipal League	Law enforcement liability - \$1,000,000	10/01/21 - 09/30/22
Texas Municipal League	Errors & omissions liability - \$1,000,000	10/01/21 - 09/30/22
Texas Municipal League	Auto liability & physical damage - \$1,000,000	10/01/21 - 09/30/22
Texas Municipal League	Real & personal property liability - \$6,019,700	10/01/21 - 09/30/22
Texas Municipal League	Workers' compensation - statutory amounts	10/01/21 - 09/30/22

CITY OF CLYDE, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
 AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2022

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
Jim Rector, 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, 2022

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

Annual insurance paid:	Property	\$48,403	Workers' compensation	\$42,405
	Liability	\$10,985	Fidelity bond	\$ 2,500

Water System:

Name of operator: Chad Sheffield Class certificate: B

Date of last chemical analysis of water: September, 2022

Number of residential/commercial users with 3/4-inch meter:	1,651	Number of commercial users with larger than 3/4-inch meter:	28
---	-------	---	----

Number of users by ethnic group:	White	unknown
	Black	unknown
	Hispanic	unknown
	Asian	unknown
	American Indian	<u>unknown</u>
	Total	<u><u>1,651</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:	1,591	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>1,591</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, 2022

	Administrative Department	Water Department	Sewer Department	Sanitation Department	Totals
OPERATING REVENUES:					
Charges for sales and services:					
Sales and services rendered	\$ -	\$ 2,196,507	\$ 618,649	\$ 587,133	\$ 3,402,289
Penalties on accounts	-	39,266	-	-	39,266
Intergovernmental revenue	-	65,500	-	-	65,500
Other revenue	-	19,854	-	-	19,854
Total operating revenues	<u>-</u>	<u>2,321,127</u>	<u>618,649</u>	<u>587,133</u>	<u>3,526,909</u>
OPERATING EXPENSES:					
Personnel services - salaries and benefits	263,902	296,565	247,377	-	807,844
Materials and supplies	307	5,746	5,412	-	11,465
Maintenance, operations and contracted services	74	455,356	199,401	435,182	1,090,013
Other expenses	-	82,212	25,020	-	107,232
Depreciation and amortization	-	130,053	96,310	-	226,363
Administrative cost allocation	725,000	-	-	-	725,000
Total operating expenses	<u>989,283</u>	<u>969,932</u>	<u>573,520</u>	<u>435,182</u>	<u>2,967,917</u>
Operating income	<u>(989,283)</u>	<u>1,351,195</u>	<u>45,129</u>	<u>151,951</u>	<u>558,992</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue	-	39,999	469	-	40,468
Interest expense and financing costs	-	(787,653)	(616)	-	(788,269)
Total non-operating revenues (expenses)	<u>-</u>	<u>(747,654)</u>	<u>(147)</u>	<u>-</u>	<u>(747,801)</u>
Income before transfers	<u>(989,283)</u>	<u>603,541</u>	<u>44,982</u>	<u>151,951</u>	<u>(188,809)</u>
Transfers in for debt service	-	-	-	-	-
Depreciation and amortization	<u>-</u>	<u>130,053</u>	<u>96,310</u>	<u>-</u>	<u>226,363</u>
Balance available for debt service	<u>\$ (989,283)</u>	<u>\$ 733,594</u>	<u>\$ 141,292</u>	<u>\$ 151,951</u>	<u>\$ 37,554</u>

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated May 5, 2023.

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 identified two deficiencies in internal control that I consider to be a material weaknesses identified as items 2022-1 and 2022-2 on the accompanying Schedule of Findings and Responses. However, other 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

May 5, 2023

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CITY OF CLYDE, TEXAS
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022*

<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, 2022

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?	Yes. Items 2022-1 and 2022-2.
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

2022-1 Internal Controls Over Financial Reporting - Inadequate Control Over Financial Reporting of Economic Development Activities

Criteria Expenditures and financial reporting of separate legal entities should not be co-mingled.

Statement of Condition During the year under audit, the City’s economic development activities were transacted as part of the City’s general fund and enterprise fund budgeted for several months during the year. In addition, sales taxes collected were not properly remitted to the economic development corporation but were retained by the City to cover economic development activities paid out of the City’s general fund.

Sales taxes collected on-behalf of the economic development corporation totaled \$272,325. Actual sales taxes remitted to the economic development corporation totaled \$218,762 resulting in \$53,563 sales taxes collected but unremitted to the economic development corporation.

Expenditures paid by the City’s general and enterprise funds on-behalf of the economic development corporation totaled \$123,316 for the year. Of that, \$84,316 was paid out of the general fund’s budget and \$39,000 was paid out of the enterprise fund’s budget. The coding of those expenditures were to the “materials, supplies & repairs” line item of the general department of the general fund and to the “legal & audit” line item of the water department of the enterprise fund.

In August 2022, the economic development corporation reimbursed the City’s general fund \$71,595 of the \$84,316 expended and reimbursed the City’s enterprise fund \$0 of the \$39,000 expended. The reimbursement was coded as an expenditure offset to the “materials, supplies & repairs” line item of the general department of the general fund.

The net result of all of this activity was that the City’s general fund line item expenditure “materials, supplies & repairs” of the general department was overstated by \$12,721 and the City’s enterprise fund line item expenditure “legal & audit” of the water department was overstated by \$39,000 at year-end. Additionally, the net sales tax collected by the City for the proportional amount of economic development sales tax was overstated by \$53,563 for the amounts unremitted to the economic development corporation.

Questioned Costs None.

Cause and Effect The cause of the co-mingling of funds was due to several board members of the economic development corporation resigning resulting in no legal oversight of the board’s activities or authority for expenditure of funds by the corporation. Therefore, the City took over control of the activities of the development corporation for several months during the year and transacted those activities through the City’s bank accounts and budgetary line items.

The effects of doing that were the following:

1. Line item expenditures within both the general fund and the enterprise funds were overstated for many months throughout the year up to the date of partial reimbursement by the economic development corporation. The net overstatement after reimbursement received totaled \$12,721 in the general fund and \$39,000 in the enterprise fund.
2. Sales tax net revenues were overstated by the amounts of taxes collected but not remitted to the economic development corporation by \$53,563 for the year.
3. There was a failure by the City to properly identify all expenditure of funds on-behalf of the economic development corporation in a timely manner by overlooking expenditures paid by the City on-behalf of the economic development corporation. The City ultimately identified \$117,858 in expenditures but failed to identify \$5,459 in expenditures paid out of the City’s bank accounts. Due to the size of the City’s budget and expenditures, there is a high likelihood that expenditures paid but not identified could have occurred throughout the year.
4. Total revenues and expenditures in the economic development corporation’s accounts were understated for the amounts withheld and not remitted in sales tax collections and for net expenditures paid by the City on-behalf of the economic development corporation which were not reimbursed. Total economic revenues were understated by \$53,563 in sales tax revenues and expenditures were understated by \$51,721 for the year.
5. The \$39,000 erroneously paid by the enterprise fund on-behalf of the economic development corporation still has not been repaid at year-end by the general fund (but was part of the \$71,595 reimbursement paid to the City’s general fund by the economic development corporation in August, 2022).
6. Netting of the total revenues collected but not remitted by the City and total un-reimbursed expenditures paid by the City resulted in \$1,842 owed to the development corporation at year-end summarized as follows:

Gross YTD economic development sales taxes collected	\$ 272,325
Less: economic development sales taxes remitted	(218,762)
Less: economic development expenditures paid by the City	(123,316)
Plus: economic development expenditures reimbursed to the City	71,595
Net remaining sales taxes collected due to economic development corporation	<u><u>\$ 1,842</u></u>

Recommendations The City should refrain from co-mingling activities from its two distinctly separate legal entities. It should also correctly settle-up the amounts owed to each of the enterprise fund and the economic development corporation as follows: \$39,000 payable from the general fund to the enterprise fund for amounts reimbursed but deposited into the general fund bank account; \$1,842 payable from the general fund to the economic development corporation for the net remaining sales taxes collected per item six above.

2022-2 Internal Controls Over Financial Reporting - Incorrect Reporting of Enterprise Fund Capital Expenditures in the General Fund

Criteria Accurate and correct financial reporting across all funds are a critical element to adequate internal controls over financial reporting.

Statement of Condition During the year under audit, the City obtained financing totaling \$15,469,098 in order to make significant infrastructure improvements and acquire trash trucks for its sanitation department. However, the gross loan proceeds along with the expenses incurred to-date were recorded in the general fund. Therefore, the loan amount totaling \$15,469,098 was recorded as a liability in the general fund, the financing costs totaling \$20,000 were recorded in the general fund and the expenses paid to-date totaling \$5,969,709 were recorded in the general fund, interest income on the account balance of \$37,525 was recorded in the general fund, and the unexpended cash balances totaling \$9,516,914 was recorded in the general fund (all in error). An audit adjusting entry was necessary to properly re-state that activity from the general fund to the enterprise fund.

Questioned Costs None.

Cause and Effect The cause of the incorrect classification and coding of the loan and related activity was due to an oversight of the City's finance department. The effect of the oversight is that general fund expenditures were grossly overstated by \$5,969,709 in capital expenditures, loan proceeds and related financing costs were overstated and the related interest income was overstated in the general fund. The offset is that those same activities were grossly understated in the enterprise fund.

Recommendations The City should pay closer attention to capital-related financing activities to ensure that coding and classification of transactions are reported in the proper fund type. All future transactions of the remaining \$9,516,914 should be made out of the enterprise fund after moving the bank account balance from the general to the enterprise fund.

III. Findings and Questioned Costs for Federal Awards

Not applicable.



CORRECTIVE ACTION PLAN

2022-1 The City will refrain from co-mingling activities with the economic development corporation. We will also correctly settle-up the amounts owed to each of the enterprise fund and the economic development corporation as follows: \$39,000 payable from the general fund to the enterprise fund for amounts reimbursed but deposited into the general fund bank account; \$1,842 payable from the general fund to the economic development corporation for the net remaining sales taxes collected but not remitted.

Contact representative: Connie Thornton, city secretary
P.O. Box 1155
Clyde, Texas 79510
(325) 893-4234

Expected implementation date: Immediately

2022-2 The City will pay closer attention to capital-related financing activities to ensure that coding and classification of transactions are reported in the proper fund type. All future transactions of the remaining \$9,516,914 will be made out of the enterprise fund after moving the bank account balance from the general to the enterprise fund.

Contact representative: Connie Thornton, city secretary
P.O. Box 1155
Clyde, Texas 79510
(325) 893-4234

Expected implementation date: Immediately