

CITY OF CLARENDON, TEXAS

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

CITY OF CLARENDON, TEXAS

Annual Financial Report
for the Year Ended September 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position – Proprietary Funds.....	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	16
Statement of Cash Flows – Proprietary Fund.....	17
Notes to the Financial Statements.....	18
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	41
Schedule of Changes in Net Pension Liability and Related Ratios.....	42
Schedule of Contributions – Texas Municipal Retirement System.....	43
Schedule of Changes in Net Other Post Employment Benefit Liability and Related Ratios.....	44
Schedule of City's Other Post Employment Benefit Liability and Related Ratios.....	45
COMBINING AND INDIVIDUAL FUND SCHEDULES	
Combining Balance Sheet – Nonmajor Funds.....	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Funds.....	47
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	48
Schedule of Findings and Questioned Costs.....	50
Corrective Action Plan.....	51

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Clarendon, Texas
Clarendon, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clarendon, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clarendon, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to the City's participation in the Texas Municipal Retirement System identified as Required Supplementary Information in the table of contents, and budgetary comparison information 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarendon, Texas' basic financial statements. The combining section is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining section is 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 our opinion, the combining and statistical section 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*, we have also issued our report dated February 10, 2022, on our consideration of the City of Clarendon, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Clarendon, Texas' internal control over financial reporting and compliance.



Foster, Lambert & Foard, L.L.C.
February 10, 2022

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Within this section of the City of Clarendon (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Additional information is available in the Management's Discussion and Analysis. The discussion focused on the City's primary government.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, education, and culture and recreation. Business-type activities include water utilities, and solid waste management.

The City's financial reporting entity includes the funds of the City (primary government). Most of these legally separate organizations operate like City departments or are governed by a board of trustees wholly comprised of the City's Mayor and Council.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

The City has two kinds of funds:

Governmental funds-Most of the City's basic services are reported in governmental funds. These use 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.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the City as a Whole

The following table provides a summary of the City's net position at September 30, 2021.

	Governmental		Business-type		Totals	
	Activities		Activities			
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 2,331,472	\$ 2,724,936	\$ 761,170	\$ 515,535	\$ 3,092,642	\$ 3,240,471
Capital assets-net	<u>8,303,759</u>	<u>8,898,428</u>	<u>5,104,851</u>	<u>5,303,771</u>	<u>13,408,610</u>	<u>14,202,199</u>
Total assets	<u>10,635,231</u>	<u>11,623,364</u>	<u>5,866,021</u>	<u>5,819,306</u>	<u>16,500,252</u>	<u>17,442,670</u>
Deferred outflow	<u>28,816</u>	<u>35,561</u>	<u>36,675</u>	<u>13,829</u>	<u>65,491</u>	<u>49,390</u>
Other liabilities	124,217	86,472	141,723	135,796	265,940	222,268
Term liabilities	<u>348,016</u>	<u>343,926</u>	<u>2,485,663</u>	<u>2,421,044</u>	<u>2,833,679</u>	<u>2,764,970</u>
Total liabilities	<u>472,233</u>	<u>430,398</u>	<u>2,627,386</u>	<u>2,556,840</u>	<u>3,099,619</u>	<u>2,987,238</u>
Deferred inflow	<u>48,415</u>	<u>59,187</u>	<u>61,619</u>	<u>23,018</u>	<u>110,034</u>	<u>82,205</u>
Net position:						
Net investment in capital assets	7,968,759	8,563,428	2,657,851	2,895,771	10,626,610	11,459,199
Restricted	1,163,932	1,241,475	-	-	1,163,932	1,241,475
Unrestricted – (Deficit)	<u>1,010,708</u>	<u>1,364,437</u>	<u>555,840</u>	<u>357,506</u>	<u>1,566,548</u>	<u>1,721,943</u>
Total net position	<u>\$10,143,399</u>	<u>\$11,169,340</u>	<u>\$3,213,691</u>	<u>\$3,253,277</u>	<u>\$13,357,090</u>	<u>\$14,422,617</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Revenues:						
Program revenues						
Charges for services	\$ 129,256	\$ 476,136	\$1,231,202	\$ 909,209	\$ 1,286,234	\$ 1,385,345
Operating grants and contributions	47,784	34,417	-	-	47,784	34,417
Capital grants and contributions	2,556,142	660,414	762,514	395,053	2,529,963	1,055,467
General revenues						
Sales taxes	330,783	361,461	-	-	330,783	361,461
Property taxes	351,179	373,749	-	-	351,179	373,749
Franchise taxes	72,987	69,923	-	-	72,987	69,923
Hotel/motel tax	74,788	109,971	-	-	74,788	109,971
Investment earnings	30,602	5,070	852	-	31,454	5,070
Other income	25,110	15,416	-	237,373	25,110	252,789
Total revenues	<u>2,829,938</u>	<u>2,105,664</u>	<u>1,994,568</u>	<u>1,541,635</u>	<u>4,824,506</u>	<u>3,647,299</u>
Expenses:						
Financial administration	1,176,134	831,510	-	-	1,176,134	831,510
Municipal Court	28,413	23,637	-	-	28,413	23,637
Code Compliance	43,659	42,142	-	-	43,659	42,142
Police	159,248	162,446	-	-	159,248	162,446
Fire	24,053	31,017	-	-	24,053	31,017
Streets	206,227	250,999	-	-	206,227	250,999
Swimming Pool	-	77,885	-	-	-	77,885
Parks	5,577	11,801	-	-	5,577	11,801
Libraries	80,714	77,372	-	-	80,714	77,372
Airport	18,902	21,223	-	-	18,902	21,223
Interest on long-term debt	13,052	12,032	-	-	13,052	12,032
Water & Sewer	-	-	639,118	649,607	639,118	649,607
Sanitation	-	390,101	385,695	-	385,695	390,101
Total expenses	<u>1,759,522</u>	<u>1,932,165</u>	<u>1,024,813</u>	<u>649,607</u>	<u>2,784,335</u>	<u>2,581,772</u>
Increase (Decrease) in net assets before transfers	1,070,416	173,499	969,755	892,028	2,040,171	1,065,527
Transfers In (Out)	<u>169,751</u>	<u>852,442</u>	<u>(169,751)</u>	<u>(852,442)</u>	<u>-</u>	<u>-</u>
Change in net position	1,240,167	1,025,941	800,004	39,586	2,040,171	1,065,527
Beginning net position	<u>8,903,232</u>	<u>10,143,399</u>	<u>2,413,687</u>	<u>3,213,691</u>	<u>11,316,919</u>	<u>13,357,090</u>
Ending net position	<u>\$10,143,399</u>	<u>\$11,169,340</u>	<u>\$3,213,691</u>	<u>\$3,253,277</u>	<u>\$13,357,090</u>	<u>\$14,422,617</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$2,425,018. Of this year-end total, approximately \$1,245,906 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show a decrease of \$394,383 from current year activity.

Proprietary funds

Proprietary Funds - Revenues of the City's business-type activities were \$909,209 which consisted mostly of water, sewer, and sanitation system charges. Water, sewer, and sanitation system revenues for the year ended September 30, 2021, exceeded operating expenses by \$320,089.

General Fund Budgetary Highlights

The General Fund budgeted revenues of \$1,414,610 and expenditures of \$1,501,673 for fiscal year 2021. Actual revenues over expenditures were \$194,527 more than the budgeted amount before transfers.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its government-wide activities as of September 30, 2021, amounts to \$14,202,199 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements.

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities 2020	Governmental Activities 2021	Business- type Activities 2020	Business- type Activities 2021	Total 2020	Total 2021
Land	\$ 42,818	\$ 42,818	\$ -	\$ -	\$ 42,818	\$ 42,818
Infrastructure	5,418,172	5,624,586	4,925,970	5,245,408	10,344,142	10,869,994
Buildings	2,778,888	3,111,054	7,532	-	2,786,420	3,111,054
Equipment	63,881	119,970	171,349	58,363	235,230	178,333
Totals	<u>\$8,303,759</u>	<u>\$8,898,428</u>	<u>\$5,104,851</u>	<u>\$5,303,771</u>	<u>\$13,408,610</u>	<u>\$14,202,199</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

This year's major additions included:

Governmental activities:	
Paving	\$ 313,805
Water park project	353,481
2021 Toyota pickup	35,000
2015 GMC pickup	11,995
1/3 interest Hydro vac	9,833
Business-type activities:	
Water line project	360,382
Sewer line relocation	34,671
2/3 interest Hydro vac	19,667

Debt

At year-end, the City had \$2,743,000 of bonds, tax notes and notes payable, as shown below:

Outstanding Debt at Year-end

	Governmental Activities 2020	Governmental Activities 2021	Business- type Activities 2020	Business- type Activities 2021	Total 2020	Total 2021
Tax Notes	\$ 335,000	\$ 335,000	\$2,447,000	\$ 2,408,000	\$2,782,000	\$2,743,000

Component Unit

The Clarendon Economic Development Corporation ("Development Corporation") was created in 1995 for the special purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the City. The financial activities are discretely presented in the City's financial statements as a governmental fund. Complete financial statements of the Development Corporation can be obtained from the City's administration office.

Economic Factors and Next Year

The City is in final stages on a \$1,387,000 United States Department of Agriculture Rural Development Grant for installation of a smart water metering system, replacement of standpipe (Elevated Storage), and replacing 25,200 linear feet of water distribution lines and approximately 5,500 linear feet of new water lines to transfer water from one side of the City to the other. The City is received funding through the TDA Community Development Block Grant program for a waste water improvement project (Lift station replacement) in the amount of \$350,000 requiring a local match of \$35,600 for a total project budget of \$385,600. The City also received grant funding through TDA for (DPR) Downtown Revitalization in the amount of \$350,000 requiring a local match of \$63,100 for a total project budget of \$413,100, this project will replace dilapidated sidewalks and provide ADA accessibility to the downtown area. The City received \$220,690 as the first tranche of Coronavirus Local fiscal Recovery funds, with an equal amount provided in the second tranche in March of 2022 for a total of \$441,382. These funds will be designated for "Governmental Services" as defined by the U.S. Department of Treasury.

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City of Clarendon, P.O. Box 1089, Clarendon, Texas 79226.

CITY OF CLARENDON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit Nonmajor Component Unit
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash and cash equivalents	\$ -	\$ 304,519	\$ 304,519	\$ 69,097
Investments	1,164,742	-	1,164,742	-
Receivables (net of allowance for uncollectibles)	180,295	83,845	264,140	21,967
Net pension asset	138,424	53,831	192,255	-
Restricted assets:				
Cash and cash equivalents	440,106	73,340	513,446	57,072
Investments	801,369	-	801,369	53,058
Capital assets not being depreciated:				
Land	42,818	-	42,818	-
Capital assets net of accumulated depreciation:				
Infrastructure	5,624,586	5,245,408	10,869,994	-
Buildings, net	3,111,054	-	3,111,054	1,089,706
Machinery and Equipment, net	119,970	58,363	178,333	-
Total assets	11,623,364	5,819,306	17,442,670	1,290,900
Deferred Outflow of Resources				
Pension expenditures	28,758	11,184	39,942	-
Other post employment benefits	6,803	2,645	9,448	-
Total deferred outflow of resources	35,561	13,829	49,390	-
Liabilities				
Accounts payable and other current liabilities	41,357	44,911	86,268	7,611
Payable from restricted assets:				
Customer deposits	-	73,340	73,340	-
Noncurrent Liabilities				
Net other post employment benefits payable	45,115	17,545	62,660	-
Compensated absences payable	8,926	13,044	21,970	-
Tax notes and bonds payable				
Due Within One Year	14,000	40,000	54,000	26,162
Due in More Than One Year	321,000	2,368,000	2,689,000	545,216
Total liabilities	430,398	2,556,840	2,987,238	578,989
Deferred Inflow of Resources				
Pension expenditures	55,287	21,501	76,788	-
Other post employment benefits	3,900	1,517	5,417	-
Total deferred inflow of resources	59,187	23,018	82,205	-
Net Position				
Net Investment in Capital Assets	8,563,428	2,895,771	11,459,199	518,328
Restricted	1,241,475	-	1,241,475	193,583
Unrestricted Net Position	1,364,437	357,506	1,721,943	-
Total net position	\$ 11,169,340	\$ 3,253,277	\$ 14,422,617	\$ 711,911

The accompanying notes are an integral part of this statement.

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Nonmajor Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental activities:								
Financial Administration	\$ 831,510	\$ -	\$ -	615,706	\$ (215,804)	\$ -	\$ (215,804)	\$ -
Municipal Court	23,637	27,874	-	-	4,237	-	4,237	-
Code compliance	42,142	1,636	-	-	(40,506)	-	(40,506)	-
Police Department	162,446	-	-	-	(162,446)	-	(162,446)	-
Fire Protection	31,017	-	-	-	(31,017)	-	(31,017)	-
Highways and Streets	250,999	-	-	-	(250,999)	-	(250,999)	-
Sanitation	390,101	413,217	-	-	23,116	-	23,116	-
Swimming Pool	77,885	20,124	-	26,000	(31,761)	-	(31,761)	-
Parks	11,801	-	-	-	(11,801)	-	(11,801)	-
Libraries	77,372	6,939	34,417	-	(36,016)	-	(36,016)	-
Airport	21,223	6,346	-	18,708	3,831	-	3,831	-
Interest on long-term debt	12,032	-	-	-	(12,032)	-	(12,032)	-
Total governmental activities	<u>1,932,165</u>	<u>476,136</u>	<u>34,417</u>	<u>660,414</u>	<u>(761,198)</u>	<u>-</u>	<u>(761,198)</u>	<u>-</u>
Business-type activities:								
Water	529,892	671,001	-	360,382	-	501,491	501,491	-
Sewer	119,715	238,208	-	34,671	-	153,164	153,164	-
Total business-type activities	<u>649,607</u>	<u>909,209</u>	<u>-</u>	<u>395,053</u>	<u>-</u>	<u>654,655</u>	<u>654,655</u>	<u>-</u>
Total primary government	<u>\$ 2,581,772</u>	<u>\$ 1,385,345</u>	<u>\$ 34,417</u>	<u>\$ 1,055,467</u>	<u>(761,198)</u>	<u>654,655</u>	<u>(106,543)</u>	<u>-</u>
Component Unit								
Nonmajor Component Unit	\$ 164,035	\$ 28,332	\$ -	\$ 28,618	-	-	-	(107,085)
Total Component Units	<u>\$ 164,035</u>	<u>\$ 28,332</u>	<u>\$ -</u>	<u>\$ 28,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (107,085)</u>
General revenues:								
Property taxes					373,749	-	373,749	-
Sales taxes					361,461	-	361,461	120,487
Franchise taxes					69,923	-	69,923	-
Other taxes					109,971	-	109,971	53,478
Miscellaneous revenue					14,523	237,373	251,896	2,091
Investment earnings					5,070	-	5,070	364
Transfers In (Out)					852,442	(852,442)	-	-
Total general revenues and transfers					<u>1,787,139</u>	<u>(615,069)</u>	<u>1,172,070</u>	<u>176,420</u>
Change in net position					1,025,941	39,586	1,065,527	69,335
Net position - Beginning					10,143,399	3,213,691	13,357,090	642,576
Net position - Ending					<u>\$ 11,169,340</u>	<u>\$ 3,253,277</u>	<u>\$ 14,422,617</u>	<u>\$ 711,911</u>

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021						Total Government Funds
	General Fund	Community Development Fund	Improvement Fund	Water Recreation Fund	Street Maintenance Fund	Other Funds	
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,164,742	-	-	-	-	-	1,164,742
Receivables (net of allowances for uncollectibles)	152,026	8,100	-	-	-	20,169	180,295
Due from other fund	-	-	392,783	-	-	202,115	594,898
Restricted assets:							
Cash and cash equivalents	-	-	32,500	6,025	166	401,415	440,106
Investments	801,369	-	-	-	-	-	801,369
Total assets	<u>\$ 2,118,137</u>	<u>\$ 8,100</u>	<u>\$ 425,283</u>	<u>\$ 6,025</u>	<u>\$ 166</u>	<u>\$ 623,699</u>	<u>\$ 3,181,410</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 9,895	\$ 8,100	\$ -	\$ -	\$ -	\$ -	\$ 17,995
Accrued wages payable	17,595	-	-	-	-	-	17,595
Due to other funds	651,093	-	-	-	-	-	651,093
Total liabilities	<u>678,583</u>	<u>8,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,683</u>
Deferred Inflows of Resources:							
Unearned Revenue - Property Taxes	49,540	-	-	-	-	20,169	69,709
Fund balances:							
Restricted							
Debt Service	-	-	-	-	-	289,838	289,838
Assigned for:							
Court technology	-	-	-	-	-	3,288	3,288
Library	92,207	-	-	-	-	-	92,207
Tourism	-	-	-	-	-	78,974	78,974
Maintenance	51,901	-	-	-	166	-	52,067
Capital Expenditures	-	-	425,283	6,025	-	231,430	662,738
Unassigned	1,245,906	-	-	-	-	-	1,245,906
Total fund balances	<u>1,390,014</u>	<u>-</u>	<u>425,283</u>	<u>6,025</u>	<u>166</u>	<u>603,530</u>	<u>2,425,018</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,118,137</u>	<u>\$ 8,100</u>	<u>\$ 425,283</u>	<u>\$ 6,025</u>	<u>\$ 166</u>	<u>\$ 623,699</u>	<u>\$ 3,181,410</u>

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
 RECONCILIATION OF THE BALANCE SHEET
 OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Governmental activities fund balance	\$ 2,425,018
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,898,428
Included in the items related to position is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$138,424, a deferred outflow of resources of \$28,758, and a deferred inflow of \$55,287. The net effect of this is to increase net position.	111,895
Included in the items related to position is the recognition of the City's proportionate share of the other post employment benefits liability required by GASB 75 in the amount of \$45,115, and a deferred outflow of resources of \$6,803, and deferred inflow of \$3,900. The net effect of this is to decrease net position.	(42,212)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.	(349,693)
Various other reclassifications and eliminations are necessary to convert from the modified basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue.	69,709
Elimination interfund receivables on government wide statement.	56,195
Net position of governmental activities	<u><u>\$ 11,169,340</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021						
	General Fund	Community Development Fund	Improvement Fund	Water Recreation Fund	Street Maintenance Fund	Other Funds	Total Government Funds
Revenues							
Taxes:							
Property taxes	\$ 370,975	\$ -	\$ -	\$ -	\$ -	\$ 7,198	\$ 378,173
General sales and use taxes	301,737	-	-	-	59,724	-	361,461
Franchise tax	69,923	-	-	-	-	-	69,923
Other taxes	-	-	-	-	-	109,971	109,971
Intergovernmental revenue and grants	264,832	395,053	-	25,000	-	8,946	693,831
Charges for services	445,908	-	-	-	-	-	445,908
Fines and fees	27,832	-	-	-	-	1,503	29,335
Donation	-	-	-	1,000	-	-	1,000
Investment earnings	4,464	-	-	20	163	423	5,070
Other revenue	14,523	-	-	893	-	-	15,416
Total revenues	<u>1,500,194</u>	<u>395,053</u>	<u>-</u>	<u>26,913</u>	<u>59,887</u>	<u>128,041</u>	<u>2,110,088</u>
Expenditures							
Administration	356,771	-	-	-	-	80,471	437,242
Municipal court	23,076	-	-	-	-	-	23,076
Code compliance	42,232	-	-	-	-	-	42,232
Police	162,446	-	-	-	-	-	162,446
Fire protection	30,557	-	-	-	-	-	30,557
Highways and streets	148,930	-	-	-	-	-	148,930
Sanitation	410,659	-	-	-	-	-	410,659
Swimming Pool	63,716	-	-	-	-	-	63,716
Parks	7,062	-	-	-	-	-	7,062
Libraries	78,913	-	-	-	-	-	78,913
Airport	2,734	-	-	-	-	-	2,734
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	6,265	6,265
Capital outlay	65,634	395,053	-	287,848	313,805	56,828	1,119,168
Total expenditures	<u>1,392,730</u>	<u>395,053</u>	<u>-</u>	<u>287,848</u>	<u>313,805</u>	<u>143,564</u>	<u>2,533,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,464</u>	<u>-</u>	<u>-</u>	<u>(260,935)</u>	<u>(253,918)</u>	<u>(15,523)</u>	<u>(422,912)</u>
Other financing sources (uses)							
Transfers (net)	368,473	-	(227,890)	232,993	200,000	243,719	817,295
Total other financing sources (uses)	<u>368,473</u>	<u>-</u>	<u>(227,890)</u>	<u>232,993</u>	<u>200,000</u>	<u>243,719</u>	<u>817,295</u>
Net change	475,937	-	(227,890)	(27,942)	(53,918)	228,196	394,383
Fund balance - October 1 (Beginning)	914,077	-	653,173	33,967	54,084	375,334	2,030,635
Fund balance - September 30 (Ending)	<u>\$ 1,390,014</u>	<u>\$ -</u>	<u>\$ 425,283</u>	<u>\$ 6,025</u>	<u>\$ 166</u>	<u>\$ 603,530</u>	<u>\$ 2,425,018</u>

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 394,383
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	563,008
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	21,195
The implementation of GASB 68 and 75 required that certain expenditures be de-expensed and recorded as deferred resource outflows. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date had to be amortized. The net effect is to increase net position.	16,632
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current-year change recognized in the government-wide financial statements is \$69. This results in an increase in net position.	(4,424)
Elimination interfund receivables on government wide statement.	35,146
Changes in net position of governmental activities	<u>\$ 1,025,940</u>

The accompanying notes are a integral part of this statement.

CITY OF CLARENDON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities Enterprise Fund
	2021
Assets	
Current assets:	
Cash and cash equivalents	\$ 304,519
Accounts receivable (net of allowance for uncollectibles)	83,845
Due from other funds	56,195
Net pension asset	53,831
Restricted assets:	
Cash and cash equivalents	73,340
Total current assets	571,730
Noncurrent assets:	
Capital assets:	
Infrastructure	6,199,063
Buildings	23,572
Machinery and Equipment	347,823
Accumulated Depreciation-Capital Assets	(1,266,687)
Total noncurrent assets	5,303,771
Total assets	5,875,501
Deferred Outflow of Resources	
Pension expenditures	11,184
Other post employment benefits	2,645
Total deferred outflow of resources	13,829
Liabilities	
Current liabilities:	
Accounts payable	28,704
Accrued payroll	8,785
Accrued interest payable	7,422
Customer deposits-payable from restricted assets	73,340
Tax notes payable-current portion	40,000
Total current liabilities	158,251
Noncurrent liabilities:	
Compensated absences	13,044
Net other post employment benefits payable	17,545
Tax notes payable-net of current portion	2,368,000
Total noncurrent liabilities	2,398,589
Total liabilities	2,556,840
Deferred Inflow of Resources	
Pension expenditures	21,501
Other post employment benefits	1,517
Total deferred inflow of resources	23,018
Net Position	
Net Investment in capital assets	2,895,771
Unrestricted net position	413,701
Total net position	\$ 3,309,472
Adjustment to eliminate interfund receivable to agree to statement of Net Position	(56,195)
Government wide statement of net position	\$ 3,253,277

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities- Enterprise Fund
	2021
Operating revenues:	
Charges for Water Services	\$ 671,001
Charges for Sewer Services	238,208
Total operating revenues	909,209
Operating expenses:	
Personal Services-Salaries and Wages	167,452
Personal Services-Employee Benefits	36,027
Purchased Property Services	223,678
Other Operating Expenses	50,977
Supplies	16,699
Depreciation	94,287
Total operating expenses	589,120
Operating income (loss)	320,089
Other income (expense):	
Gain on the sale of assets	237,373
Interest expense	(60,487)
Total other income (expense)	176,886
Contributions and operating transfers:	
Contributed capital	395,053
Transfers (net)	(846,716)
Total contributions and operating transfers	(451,663)
Change in Net Position	45,312
Total Net Position - October 1 (Beginning)	3,264,160
Total Net Position - September 30 (Ending)	\$ 3,309,472
Adjustment to eliminate interfund receivable to agree to statement of Net Position	(56,195)
Government wide statement of net position	\$ 3,253,277

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Total Enterprise Fund 2021
Cash flows from operating activities	
Receipts from customers and users	\$ 934,161
Payments to suppliers	(294,263)
Payments to employees	(229,025)
Net cash provided by operating activities	410,873
Cash flows provided by noncapital financing activities	
Due from General	(5,726)
Operating transfers	(825,448)
Net cash (used by noncapital financing activities)	(831,174)
Cash flows from capital and related financing activities	
Proceeds from long term debt	
Principal paid on long-term debt	(39,000)
Interest paid	(60,608)
Sale of assets	327,225
Net cash (used) by capital and related financing activities	227,617
Cash flows from investing activities	
Customer deposits	(55)
Net cash provided by investing activities	(55)
Net increase in cash and cash equivalents	(192,739)
Cash and cash equivalents at beginning of year	559,239
Cash and cash equivalents at end of year	\$ 366,500
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 320,089
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	94,287
Pension expense	(6,468)
(Increase) decrease in current assets:	
Receivables	24,952
Increase (decrease) in current liabilities:	
Accounts payable	(2,909)
Accrued payroll	(19,078)
Net cash provided by operating activities	\$ 410,873
Noncash investing, capital, and financing activities:	
Assets contributed from Capital Projects Fund	\$ 395,053

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Clarendon, Texas, reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standard*.

A. FINANCIAL REPORTING ENTITY

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated under the Constitution of the State of Texas (Type A General Law). As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial burden on the City. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government is such the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government; most component units are discretely presented. The City's component unit is as follows:

The Clarendon Economic Development Corporation ("Development Corporation") was created in 1995 for the special purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the City. The financial activities are discretely presented in the City's financial statements as a governmental fund. Complete financial statements of the Development Corporation can be obtained from the City's administration office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. In the government-wide Statement of Net Position, the governmental activities are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes, charges for services, and intergovernmental revenues.

The government-wide Statement of Activities reflects the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included on program revenues are reported as general revenues.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continuation

Separate **fund financial statements** are provided for the governmental funds. The General Fund, Debt Service, Community Development, Improvement, and Water Recreation Fund meet criteria as **major governmental funds**. The major funds are reported in a separate column in the fund financial statements. Non-major funds include Capital Project and Special Revenue funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and other miscellaneous revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available and include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Property, franchise, sales, and hotel occupancy taxes and investment income are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

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

Community Development Fund is a capital projects fund used to account for funds reserved for capital improvements.

Improvement Fund is a special revenue used to account for funds to be used for capital outlay.

Water Recreation Fund is a capital projects fund used to account for funds to be used for the water recreation facility.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. MEASUREMENT FOCUS, BASIC OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – Continuation

Street Maintenance Fund is a capital projects fund used to account for funds to be used for the street maintenance.

The government reports the following major proprietary fund:

Enterprise Fund is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities in the next 12 months.

2. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable primarily consist of charges for services provided by the City to customers for water, sewer, and sanitation. The property tax receivable allowance is equal to 50% of the delinquent taxes receivable at September 30, 2021.

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year and added to the delinquent roll after June 30.

3. Capital Assets

Capital assets, which include land, buildings, equipment, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUALITY - Continuation

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives of assets are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Furniture & fixtures	7
General equipment	7
Vehicles	7-15
Computer hardware	5
Infrastructure	75

4. Restricted Assets

Restricted assets in the General Fund held for specific purposes in accordance with legal restrictions, are comprised of the following:

General Fund:

Cash and cash equivalents	
Tourism	\$ 78,974
Capital expenditures	269,955
Debt service	87,723
Street maintenance	166
Technology	3,288
Total Cash and cash equivalents	<u>\$ 440,106</u>
Investments	
Maintenance	\$ 195,471
Library	11,000
Debt service	202,115
Capital expenditures	392,783
Total investments	<u>\$ 801,369</u>
Water & Sewer Fund:	
Cash and cash equivalents	\$ 73,340

5. Compensated Absences

The City's permanent, full-time employees earn sick leave (up to a maximum of 720 hours) based on days employed. The policy provides for payment of sick leave upon retirement, contingent upon the employee providing a minimum of two weeks notice of his/her intent to retire.

Amounts are accrued in the government-wide financial statements

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

The City's permanent, full-time employees earn vacation leave (up to a maximum of 120 hours per year) based on days employed. Vacation leave accrues monthly up to the maximum allowed per year, so no accrual is booked.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUALITY – Continuation

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

7. Fund Equity

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUALITY – Continuation

8. Budgets and budgetary accounting

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

- a. Prior to September of each fiscal year, the City Secretary submits an annual budget to the City Council.
- b. The City Council provides for a public hearing on the City budget before the end of August and prior to the levy of taxes by the Council.
- c. Prior to October 1, the budget is legally adopted by order of the Council for the General Fund.
- d. The budget is prepared by fund and department with the legal level of control at the departmental level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Council as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Council. Amounts shown in the financial statements represent the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for General Fund.
- e. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) on the modified accrual basis of accounting on an annual basis.
- f. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund.
- g. All appropriations lapse at the end of the City's fiscal year and may be re-budgeted the next year.

9. Pensions

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

10. Other Post Employment Benefits

In fiscal year 2018, the City adopted GASB 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits of OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUALITY – Continuation

10. Other Post Employment Benefits – Continuation

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, as amended and No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 41, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Other Post-Employment Benefits recognize the fiduciary net position of the TMRS defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). The net positions has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2021:

Cash and deposit balances consist of	
Bank deposits	\$ 944,134
Certificates of deposit	2,019,001
Government-sponsored investment pool (TexPool)	168
Total	<u>\$ 2,963,303</u>

Cash and investment balances are reported in the basic financial statements as follows:

Government-wide Statement of net position	\$ 2,784,076
Component Unit	179,227
Total	<u>\$ 2,963,303</u>

As of September 30, 2021, the carrying amount of the City’s bank deposits and certificates of deposit was \$2,784,076, and the respective bank balances totaled \$3,129,216. The entire balance was covered by federal depository insurance and securities held by the pledging financial institution’s agent held in City’s name.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

As of September 30, 2021, the carrying amount of the Economic Development Corporation's book balance was \$179,227, and the respective bank balances totaled \$182,083. The total bank balance was covered by federal depository insurance.

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Depository Act. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Company (FDIC) coverage.

State statutes and City resolutions authorize the City's investments. The City is authorized to invest in obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; insured or collateralized certificates of deposit; certain municipal securities; money market savings accounts; fully collateralized repurchase agreements; and government investment pools.

As of September 30, 2021, the City had investments in TexPool a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

Deposits of the City can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. At year-end, the City was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the City's name.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year-end, the City was exposed to custodial credit risk.

- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and class of security. At year-end, the City was not significantly exposed to concentration of credit risk related to deposits and investments.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City's policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the City was not exposed to interest rate risk.

- Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

NOTE 3 – PROPERTY TAXES

The City is authorized by the tax laws of the State of Texas to levy taxes up to \$.80 per \$100 of assessed valuation, for general governmental services, and the payment of principal and interest on long-term debt. The tax rates to finance general governmental services and the payment of principal and interest on long-term debt for the year ended September 30, 2021, were \$.5849 and \$.00, respectively, per \$100 valuation. The combined tax rate on the 2020 tax roll was \$.4999 per \$100.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the deferred revenue amount reported represents amounts unavailable to liquidate the liabilities of the current period.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 4 – RECEIVABLES

Receivables as of year-end for the City, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Activities	Business- type Activities	Total
Taxes and assessments	\$ 213,952	\$ -	\$ 213,952
Intergovernmental	8,100		8,100
Customer-trade	<u>32,074</u>	<u>98,073</u>	<u>130,147</u>
Gross receivables	254,126	98,073	352,199
Less: Allowance for uncollectible accounts	<u>(73,831)</u>	<u>(14,228)</u>	<u>(88,059)</u>
Net total receivables	<u>\$ 180,295</u>	<u>\$ 83,845</u>	<u>\$ 264,140</u>

Discretely Presented Component Unit

Clarendon Economic Development Corporation receivables at September 30, 2021, consist of the following:

Taxes and assessments \$ 21,967

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2021, is as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 42,818	\$ -	\$ -	\$ 42,818
Construction in Process	<u>2,417,222</u>	<u>-</u>	<u>2,417,222</u>	<u>-</u>
Total capital assets, not being depreciated:	<u>2,460,040</u>	<u>-</u>	<u>2,417,222</u>	<u>42,818</u>
Capital assets, being depreciated:				
Infrastructure	8,699,065	313,805	-	9,012,870
Buildings and improvements	755,790	2,806,425	12,496	3,549,719
Equipment	<u>1,066,972</u>	<u>211,720</u>	<u>20,876</u>	<u>1,257,816</u>
Total capital assets, being depreciated:	<u>10,521,827</u>	<u>3,331,950</u>	<u>33,372</u>	<u>13,820,405</u>
Less accumulated depreciation for:				
Infrastructure	(3,280,893)	(107,391)	-	(3,388,284)
Buildings and improvements	(394,124)	(44,541)	-	(438,665)
Equipment	<u>(1,003,091)</u>	<u>(155,631)</u>	<u>20,876</u>	<u>(1,137,846)</u>
Total accumulated depreciation	<u>(4,678,108)</u>	<u>(307,563)</u>	<u>20,876</u>	<u>(4,964,795)</u>
Total capital assets, being depreciated, net	<u>5,843,719</u>	<u>3,024,387</u>	<u>12,496</u>	<u>8,855,610</u>
Governmental activities capital assets, net	<u>\$ 8,303,759</u>	<u>\$ 3,024,387</u>	<u>\$ 2,429,718</u>	<u>\$ 8,898,428</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – CAPITAL ASSETS – Continuation

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Construction in Process	<u>\$ 2,102,292</u>	<u>\$ 395,053</u>	<u>\$ 2,481,145</u>	<u>\$ 16,200</u>
Capital assets, being depreciated:				
Infrastructure	3,701,718	2,481,145	-	6,182,863
Buildings	46,797	-	23,225	23,572
Equipment	<u>858,800</u>	<u>19,667</u>	<u>530,644</u>	<u>347,823</u>
Total capital assets, being depreciated:	<u>4,607,315</u>	<u>2,500,812</u>	<u>553,869</u>	<u>6,554,258</u>
Less accumulated depreciation for:				
Infrastructure	(878,040)	(75,615)	-	(953,655)
Buildings	(39,265)	-	15,693	(23,572)
Equipment	<u>(687,451)</u>	<u>(18,672)</u>	<u>416,663</u>	<u>(289,460)</u>
Total accumulated depreciation	<u>(1,604,756)</u>	<u>(94,287)</u>	<u>432,356</u>	<u>(1,266,687)</u>
Total capital assets, being depreciated, net	<u>3,002,559</u>	<u>2,406,525</u>	<u>121,513</u>	<u>5,287,571</u>
Business-type activities capital assets, net	<u>\$ 5,104,851</u>	<u>\$ 2,801,578</u>	<u>\$ 2,602,658</u>	<u>\$ 5,303,771</u>

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

Governmental activities:	
General government	\$ 8,697
Street	104,546
Fire	460
Recycling	6,842
Swimming pool	14,169
Park	4,739
Animal control	3,164
Airport	<u>18,489</u>
Total depreciation expense – governmental activities:	<u>\$ 161,106</u>
Business-type activities:	
Water and Sewer	<u>\$ 94,287</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – CAPITAL ASSETS – Continuation

Discretely presented component unit

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<u>Economic Development activities:</u>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,114,579	\$ 127,426	\$ -	\$ 1,242,005
Less accumulated depreciation	<u>(118,143)</u>	<u>(34,156)</u>	<u>-</u>	<u>(152,299)</u>
Economic Development activities capital assets (net)	<u>\$ 996,436</u>	<u>\$ 93,270</u>	<u>\$ -</u>	<u>\$ 1,089,706</u>

Component units:

Economic Development Corporation	<u>\$ 34,156</u>
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NOTE 6 – INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

Interfund receivables and payables at September 30, 2021 consisted of the following:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Reason</u>
Improvement Fund	General Fund	\$ 392,783	Investment held in General Fund
Enterprise Fund	General Fund	56,195	Investment held in General Fund
Non-major Governmental Funds	General Fund	<u>202,115</u>	Investment held in General Fund
		<u>\$ 651,093</u>	

Government interfund transfers during the year ended September 30, 2021, were as follows:

	Transfers Out	Transfers In
General Fund	\$ -	\$ 403,620
Street Maintenance Fund	-	200,000
Improvement Fund	227,890	-
Water Recreation Fund	-	232,993
Other Funds	-	243,719
Water and Sewer Fund	<u>852,442</u>	<u>-</u>
Total primary government	<u>\$ 1,080,332</u>	<u>\$ 1,080,332</u>

Eliminations

Interfund transfers are reported in the governmental activities fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column.

Purpose of Transfers

Primarily, transfers are used to 1) move amounts collected in the general fund representing the approved increase in charges for services designated by Council for use in improving the City's streets, 2) move unrestricted revenues accumulated in the general fund to finance the City's part of a community development project, and 3) move any amount recorded in an inappropriate fund to the correct fund in which the amount should be accounted.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 – LONG-TERM DEBT AND OBLIGATIONS

The following is a summary of long-term debt activity of the City of Clarendon for the year ended September 30, 2021:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental activities:					
General Obligation Bond	\$ 335,000	\$ -	\$ -	\$ 335,000	\$ 14,000
Compensated absences	<u>13,016</u>	<u>-</u>	<u>4,090</u>	<u>8,926</u>	<u>-</u>
Total Governmental activities	<u>\$ 348,016</u>	<u>\$ -</u>	<u>\$ 4,090</u>	<u>\$ 343,926</u>	<u>\$ 14,000</u>
Business-type activities:					
Certificate of Obligation	\$2,447,000	\$ -	\$ 39,000	\$2,408,000	\$ 40,000
Compensated absences	<u>38,663</u>	<u>-</u>	<u>25,619</u>	<u>13,044</u>	<u>-</u>
Total Business-type activities	<u>\$2,485,663</u>	<u>\$ -</u>	<u>\$ 64,619</u>	<u>\$2,421,044</u>	<u>\$ 40,000</u>

General obligation bonds and tax notes at September 30, 2021, are comprised of the following individual issues:

	Range of Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding At 9/30/21
Governmental activities:					
Certificate of Obligation, 2017 Series	3.74%	10/15/37	\$13,000- 26,000	375,000	335,000
Business-type activities:					
Certificate of Obligation, 2018 Series	2.50%	8/15/58	\$37,000- 97,000	2,522,000	2,408,000

Debt maturities for general obligation bonds and tax notes, are as follows:

Due During Fiscal Year Ending	Principal	Interest	Total
Governmental activities:			
Certificate of Obligation			
2022	\$ 14,000	\$ 12,267	\$ 26,267
2023	15,000	11,725	26,725
2024	16,000	11,145	27,145
2025	16,000	10,527	26,527
2026	17,000	9,930	26,930
2027-31	93,000	39,626	132,626
2032-36	113,000	20,364	133,364
2037-38	<u>51,000</u>	<u>1,926</u>	<u>52,926</u>
Total	<u>\$ 335,000</u>	<u>\$ 117,510</u>	<u>\$ 452,510</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 7 – LONG-TERM DEBT AND OBLIGATIONS – Continuation

Due During Fiscal Year Ending	Principal	Interest	Total
Business-type activities: Certificate of Obligation			
2022	\$ 40,000	\$ 59,704	\$ 99,704
2023	41,000	58,692	99,692
2024	42,000	57,733	99,733
2025	43,000	56,513	99,513
2026	44,000	55,505	99,505
2027-31	239,000	260,137	499,137
2032-36	272,000	228,286	500,286
2037-41	306,000	192,098	498,098
2042-46	347,000	151,398	498,398
2047-51	395,000	105,103	500,103
2052-56	446,000	52,602	498,602
2057	96,000	3,629	99,629
Total	<u>\$2,311,000</u>	<u>\$1,281,400</u>	<u>\$3,592,400</u>

Clarendon Economic Development Corporation notes at September 30, 2021, are comprised of the following:

	Range of Interest Rates	Final Maturity Date	Quarterly Serial Payments	Original Amount	Outstanding At 9/30/21
Note payable	3.95%	8/23/37	\$ 12,087	\$ 666,250	\$ 571,378

Debt maturities for notes, are as follows:

Due During Fiscal Year Ending	Principal	Interest	Total
Economic Development Corporation Notes			
2022	\$ 26,162	\$ 22,185	\$ 48,347
2023	27,211	21,136	48,347
2024	28,300	20,047	48,347
2025	29,436	18,911	48,347
2026	30,616	17,731	48,347
2027-31	172,506	69,228	241,734
2032-36	209,969	31,765	241,734
2037	47,178	1,169	48,347
Total	<u>\$ 571,378</u>	<u>\$ 202,172</u>	<u>\$ 773,550</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The City of Clarendon participates as one of 895 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 TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

BENEFITS PROVIDED

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

At retirement, the Member's benefit is calculated as if the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a 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.

Plan provisions for the City of Clarendon were as follows:

Deposit rate:	7%
Matching ratio (to employee)	1 to 1
A member is vested after:	5 years
Service retirement eligibility	60/5, 0/20
Updated service credit	0%
Annuity increase (no retirees)	0% of CPI

Employees covered by benefit terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>13</u>
Total	<u>41</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM - Continuation

CONTRIBUTIONS

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of Clarendon were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Clarendon were 1.42% and 1.39% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$6,357, and were equal to the required contributions.

NET PENSION LIABILITY

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return inflation	6.75%, net of pension plan investment expense, including

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM - Continuation

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 percentages and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
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 Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation

Changes in Net Pension Liability

	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) – (b)</u>
Balance at 12/31/2019	\$ 883,652	\$1,049,962	\$ (166,310)
Changes for the year:			
Service cost	52,073	-	52,073
Interest	59,506	-	59,506
Change of benefit terms	-	-	-
Difference between expected and actual experience	(11,909)	-	(11,909)
Changes of assumptions	-	-	-
Contributions – employer	-	7,684	(7,684)
Contributions – employee	-	38,695	(38,695)
Net investment income	-	79,773	(79,773)
Benefit payments, including refunds of employee contributions	(56,236)	(56,236)	-
Administrative expense	-	(516)	516
Other changes	-	(21)	21
Net changes	<u>43,434</u>	<u>69,379</u>	<u>(25,945)</u>
Balance at 12/31/2020	<u>\$ 927,086</u>	<u>\$1,119,341</u>	<u>\$ (192,255)</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City’s net pension liability	\$ (104,582)	\$ (192,255)	\$ (267,337)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM - Continuation

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

For the year ended September 30, 2021, the City recognized pension (income) expense of \$(26,469).

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 11,787
Changes in actuarial assumptions	-	151
Difference between projected and actual investment earnings	35,382	64,850
Contributions subsequent to the measurement date	<u>4,560</u>	<u>-</u>
Total	<u>\$ 39,942</u>	<u>\$ 76,788</u>

\$4,560 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2021	\$ (20,880)
2022	(1,393)
2023	(17,353)
2024	<u>(1,780)</u>
Total	<u>\$ (41,406)</u>

NOTE 9 - DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN:

PLAN DESCRIPTION

The City of Clarendon participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). The SDBF is considered to be a single-employer plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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 another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 9 - DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN - Continuation

BENEFITS PROVIDED

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

Employees covered by benefit terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>13</u>
Total	<u>21</u>

CONTRIBUTIONS

The contribution rates for SDBF for the City of Clarendon were .51% and .60% in calendar years 2021 and 2020, respectively. The City's contributions to SDBF for the year ended September 30, 2021, were \$2,389, and were equal to the required contributions.

ACTUARIAL ASSUMPTIONS

The OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Table with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 - DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN - Continuation

Discount Rate

The discount rate used to measure the OPEB Liability was 2.00%. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the contributing employers are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2020.

Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's OPEB liability	\$ 73,387	\$ 62,660	\$ 53,993

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2019	\$ <u>48,087</u>
Changes for the year:	
Service cost	7,020
Interest on Total OPEB Liability	1,415
Change of benefit terms	-
Difference between expected and actual experience	(219)
Changes of assumptions or other inputs	6,633
Benefit payments*	<u>(276)</u>
Net changes	<u>14,573</u>
Balance at 12/31/2020	\$ <u>62,660</u>

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 9 - DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN - Continuation

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$9,082.

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

	<u>Deferred (Inflows) of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ (5,417)	\$ -
Changes in actuarial assumptions	-	9,092
Contributions subsequent to the measurement date	-	<u>356</u>
Total	<u>\$ (5,417)</u>	<u>\$ 9,448</u>

\$1,652 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 OPEB liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2021	\$ 570
2022	269
2023	1,690
2024	1,146
2025	-
Total	<u>\$ 3,675</u>

NOTE 10 - RISK MANAGEMENT

The City's major areas of risk management are: public officials' liability, automobile liability, airport liability, general comprehension liability, property damage, workers' compensation, and employee health insurance. The City has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The City pays a deductible per incident except on the employee health insurance, in which the deductible is the responsibility of the employee. There have been no significant reductions in health insurance coverage from the prior year.

NOTE 11 – COMMITMENTS

On July 10, 1985, the City, along with other cities, entered into a contract with Greenbelt Municipal and Industrial Water Authority (the "Authority"), whereby the Authority will sell to the cities water produced by the facilities of the Authority. In return, the cities agree to pay for such water based on a usage formula that will provide reimbursements for operations, maintenance and debt service payments to the Authority. The participating cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its demand usage from the system. The City paid \$216,599 to the Authority for the fiscal year ended September 30, 2021.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 11 – COMMITMENTS - Continuation

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 12 – LITIGATION

The City is a defendant from time to time in various lawsuits. In the opinion of the City's management, any liabilities resulting from such lawsuits will not have a material effect on the financial position of the City.

NOTE 13 – EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS

During the year ended September 30, 2021, the City had expenditures in excess of the budgeted account in the General Fund in the following areas and amounts:

General Fund	
Fire protection	\$ 4,314
Sanitation	14,619
Capital outlay	14,634

NOTE 14 – SUBSEQUENT EVENTS

There are no subsequent events after the fiscal year that would have a material impact on these financial statements.

CITY OF CLARENDON, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 351,000	\$ 351,000	\$ 370,975	\$ 19,975
General sales and use taxes	405,000	405,000	301,737	(103,263)
Franchise tax	76,800	76,800	69,923	(6,877)
Intergovernmental revenue and grants	80,000	80,000	264,832	184,832
Charges for services	440,500	440,500	445,908	5,408
Fines and fees	9,750	9,750	27,832	18,082
Investment earnings	26,000	26,000	4,464	(21,536)
Other revenue	25,560	25,560	14,523	(11,037)
Total revenues	<u>1,414,610</u>	<u>1,414,610</u>	<u>1,500,194</u>	<u>85,584</u>
Expenditures				
Current:				
General government:				
Administration	405,609	405,609	356,771	48,838
Municipal court	30,260	30,260	23,076	7,184
Code compliance	73,655	73,655	42,232	31,423
Public safety:				
Police	162,461	162,461	162,446	15
Fire protection	26,243	26,243	30,557	(4,314)
Public works:				
Highways and streets	189,345	189,345	148,930	40,415
Sanitation	396,040	396,040	410,659	(14,619)
Culture and recreation:				
Swimming Pool	67,800	67,800	63,716	4,084
Parks	10,330	10,330	7,062	3,268
Libraries	84,180	84,180	78,913	5,267
Airport	4,750	4,750	2,734	2,016
Capital outlay:				
Capital outlay	51,000	51,000	65,634	(14,634)
Total expenditures	<u>1,501,673</u>	<u>1,501,673</u>	<u>1,392,730</u>	<u>108,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,063)</u>	<u>(87,063)</u>	<u>107,464</u>	<u>194,527</u>
Other financing sources (uses)				
Transfers In	167,564	149,050	368,473	219,423
Total other financing sources (uses)	<u>167,564</u>	<u>149,050</u>	<u>368,473</u>	<u>219,423</u>
Net change	80,501	61,987	475,937	413,950
Fund balance - October 1 (Beginning)	914,078	914,078	914,077	-
Fund balance - September 30 (Ending)	<u>\$ 994,579</u>	<u>\$ 976,065</u>	<u>\$ 1,390,014</u>	<u>\$ 413,950</u>

CITY OF CLARENDON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2021

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last 10 Years (will ultimately be displayed)

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Total pension liability							
Service Cost	\$ 23,988	\$ 28,970	\$ 45,485	\$ 47,421	\$ 49,104	\$ 52,175	\$ 52,073
Interest (on the Total Pension Liability)	36,806	39,096	42,693	47,731	52,304	56,828	59,506
Changes of benefit terms	-	8,426	-	-	-	-	-
Difference between expected and actual experience	(12,072)	(2,926)	(650)	(6,777)	(8,342)	(27,547)	(11,909)
Change of assumptions	-	16,159	-	-	-	(833)	-
Benefit payments, including refunds of employee contributions	<u>(37,067)</u>	<u>(16,773)</u>	<u>(14,402)</u>	<u>(13,323)</u>	<u>(29,597)</u>	<u>(25,566)</u>	<u>(56,236)</u>
Net change in Total Pension Liability	11,655	72,952	73,126	75,052	63,469	55,057	43,434
Total Pension Liability - Beginning	532,341	543,996	616,948	690,074	765,126	828,595	883,652
Total Pension Liability - Ending	<u>\$ 543,996</u>	<u>\$ 616,948</u>	<u>\$ 690,074</u>	<u>\$ 765,126</u>	<u>\$ 828,595</u>	<u>\$ 883,652</u>	<u>\$ 927,086</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ (2)	\$ 522	\$ 2,162	\$ 6,255	\$ 7,242	\$ 7,907	\$ 7,684
Contributions - Employee	19,442	24,464	32,892	33,942	35,280	37,652	38,695
Net Investment Income	38,721	1,029	47,722	107,285	(27,200)	138,119	79,773
Benefit payments, including refunds of employee contributions	(37,067)	(16,773)	(14,402)	(13,323)	(29,597)	(25,566)	(56,236)
Administrative expense	(404)	(627)	(539)	(556)	(525)	(780)	(516)
Other	<u>(33)</u>	<u>(31)</u>	<u>(29)</u>	<u>(28)</u>	<u>(29)</u>	<u>(23)</u>	<u>(22)</u>
Net Change in Plan Fiduciary Net Position	20,657	8,584	67,806	133,575	(14,829)	157,309	69,378
Plan Fiduciary Net Position - Beginning	676,861	697,518	706,102	773,908	907,483	892,654	1,049,963
Plan Fiduciary Net Position - Ending	<u>\$ 697,518</u>	<u>\$ 706,102</u>	<u>\$ 773,908</u>	<u>\$ 907,483</u>	<u>\$ 892,654</u>	<u>\$ 1,049,963</u>	<u>\$ 1,119,341</u>
Net Pension Liability Ending (a)-(b)	\$ (153,522)	\$ (89,154)	\$ (83,834)	\$ (142,357)	\$ (64,059)	\$ (166,311)	\$ (192,255)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	128.22%	114.45%	112.15%	118.61%	107.73%	118.82%	120.74%
Covered Employee Payroll	\$ 388,834	\$ 439,608	\$ 469,883	\$ 484,879	\$ 502,595	\$ 537,886	\$ 552,788
Net Pension Liability as a Percentage of Covered Employee Payroll	-39.48%	-20.28%	-17.84%	-29.36%	-12.75%	-30.92%	-34.78%

CITY OF CLARENDON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2021

SCHEDULE OF CONTRIBUTIONS Last 10 Fiscal Years (will ultimately be displayed)

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>
Actuarially Determined Contribution	\$ 1,085	\$ 2,090	\$ 4,696	\$ 8,239	\$ 7,662	\$ 9,247	\$ 6,357
Contributions in relation to the actuarially determined contribution	<u>1,085</u>	<u>2,090</u>	<u>4,696</u>	<u>8,239</u>	<u>7,662</u>	<u>9,247</u>	<u>6,357</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered employee payroll	\$ 388,834	\$ 465,421	\$ 479,138	\$ 490,133	\$ 534,183	\$ 571,440	\$ 453,203
Contributions as a percentage of covered employee payroll	0.00%	0.45%	0.98%	1.68%	1.43%	1.62%	1.40%

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for remales. The rates are projected on fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF CLARENDON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS

Last 10 Years (will ultimately be displayed)

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Total OPEB liability				
Service Cost	\$ 3,782	\$ 4,322	\$ 3,711	\$ 7,020
Interest on Total OPEB Liability	1,414	1,507	1,592	1,415
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(5,583)	(5,013)	(219)
Change in assumptions or other inputs	2,873	(2,370)	6,856	6,633
Benefit payments*	<u>(194)</u>	<u>(201)</u>	<u>(215)</u>	<u>(276)</u>
Net change in OPEB Liability	7,875	(2,325)	6,931	14,573
Total Pension Liability - Beginning	35,606	43,481	41,156	48,087
Total Pension Liability - Ending	<u>\$ 43,481</u>	<u>\$ 41,156</u>	<u>\$ 48,087</u>	<u>\$ 62,660</u>
Covered Employee Payroll	\$ 484,879	\$ 502,595	\$ 537,886	\$ 552,788
OPEB Liability as a Percentage of Covered Employee Payroll	8.97%	8.19%	8.94%	11.34%

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF CLARENDON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2021

SCHEDULE OF CITY'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS Last 10 Fiscal Years (will ultimately be displayed)

	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>
Actuarially Determined Contribution	\$ 103	\$ 277	\$ 209	\$ 421
Contributions in relation to the actuarially determined contribution	103	277	209	421
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 490,133	 \$ 534,183	 \$ 571,440	 \$ 453,203
 Contributions as a percentage of covered employee payroll	 0.02%	 0.05%	 0.04%	 0.09%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate *	2.00%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF CLARENDON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021							
	Court Tech Fund	Hotel/Motel Fund	Rolling Stock Fund	Airport Maintenance Fund	American Relief Act Fund	USDA Debt Service Fund	Debt Service Fund	Total Nonmajor Funds
ASSETS								
Receivables (net of allowances for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,169	\$ 20,169
Restricted assets:								
Cash and cash equivalents	3,288	78,974	1,778	8,961	220,691	86,874	849	401,415
Due from other funds	-	-	-	-	-	202,115	-	202,115
Total assets	<u>\$ 3,288</u>	<u>\$ 78,974</u>	<u>\$ 1,778</u>	<u>\$ 8,961</u>	<u>\$ 220,691</u>	<u>\$ 288,989</u>	<u>\$ 21,018</u>	<u>\$ 623,699</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:								
Unearned Revenue - Property Taxes	-	-	-	-	-	-	20,169	20,169
Fund balances:								
Unreserved and Undesignated:								
Reported in the Special Revenue Fund	3,288	78,974	1,778	8,961	220,691	288,989	849	603,530
Total fund balances	<u>3,288</u>	<u>78,974</u>	<u>1,778</u>	<u>8,961</u>	<u>220,691</u>	<u>288,989</u>	<u>849</u>	<u>603,530</u>
Total liabilities and fund balances	<u>\$ 3,288</u>	<u>\$ 78,974</u>	<u>\$ 1,778</u>	<u>\$ 8,961</u>	<u>\$ 220,691</u>	<u>\$ 288,989</u>	<u>\$ 21,018</u>	<u>\$ 623,699</u>

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

	2021							Total Nonmajor Funds
	Court Tech Fund	Hotel/Motel Fund	Rolling Stock Fund	Airport Maintenance Fund	American Relief Act Fund	USDA Debt Service Fund	Debt Service Fund	
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,198	\$ 7,198
Other taxes	-	109,971	-	-	-	-	-	109,971
Intergovernmental revenue	-	-	-	8,946	-	-	-	8,946
Fines and fees	1,503	-	-	-	-	-	-	1,503
Investment earnings	-	156	51	15	38	163	-	423
Total revenues	<u>1,503</u>	<u>110,127</u>	<u>51</u>	<u>8,961</u>	<u>38</u>	<u>163</u>	<u>7,198</u>	<u>128,041</u>
Expenditures								
Tourism	-	80,471	-	-	-	-	-	80,471
Debt service:								
Interest	-	6,265	-	-	-	-	-	6,265
Capital outlay	-	-	56,828	0	0	0	-	56,828
Total expenditures	<u>-</u>	<u>86,736</u>	<u>56,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,564</u>
Excess (deficiency) of revenues over (under) expenditures	1,503	23,391	(56,777)	8,961	38	163	7,198	(15,523)
Transfers In (Out)	<u>0</u>	<u>-</u>	<u>30,333</u>	<u>0</u>	<u>220,653</u>	<u>1,733</u>	<u>(9,000)</u>	<u>243,719</u>
Net change	1,503	23,391	(26,444)	8,961	220,691	1,896	(1,802)	228,196
Fund balance - Beginning	<u>1,785</u>	<u>55,583</u>	<u>28,222</u>	<u>0</u>	<u>0</u>	<u>287,093</u>	<u>2,651</u>	<u>375,334</u>
Fund balance - Ending	<u>\$ 3,288</u>	<u>\$ 78,974</u>	<u>\$ 1,778</u>	<u>\$ 8,961</u>	<u>\$ 220,691</u>	<u>\$ 288,989</u>	<u>\$ 849</u>	<u>\$ 603,530</u>

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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

To the City Council
Clarendon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clarendon, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Clarendon, Texas' basic financial statements, and have issued our report thereon dated February 10, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Foster, Lambert & Foard LLC

Foster, Lambert & Foard, L.L.C.
February 10, 2022

CITY OF CLARENDON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. Summary of the Auditor's Results:

Financial Statements:

- Type of auditor's report issued: **Unmodified.**
- Internal control over financial reporting:
 - Material weakness(es) identified: **Finding 2021-1**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Noncompliance material to financial statements noted: **None.**

Federal Awards:

- Internal control over major programs:
 - Material weakness(es) identified: **Not applicable.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **Not applicable.**
- Type of auditor's report issued on compliance for major programs: **Not applicable.**
- Audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a): **Not applicable.**
- Identification of major programs: **None.**
- Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- Auditee qualification as a low-risk auditee: **Not applicable.**

II. Financial Statement Findings:

None.

III. Federal Award Findings and Questioned Costs:

Not applicable.

CITY OF CLARENDON, TEXAS

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021

None