

CITY OF CLARENDON, TEXAS

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

CITY OF CLARENDON, TEXAS

Annual Financial Report
for the Year Ended September 30, 2023

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Clarendon, Texas
P.O. Box 1089
Clarendon, Texas 79226

Members of the Council:

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Clarendon, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and on pages 43-47 the schedule of revenues, expenditures and changes in fund balances-budget and actual for general fund, the schedules changes in net pension liability, net other post employment benefits liability, schedules of contribution for Texas Municipal Retirement System and other post employment benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 January 11, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Clarendon, Texas' 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, LLC
January 11, 2024

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

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, 2023. 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, 2023

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, 2023.

	Governmental		Business-type		Totals	
	Activities		Activities			
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 3,288,416	\$ 3,449,876	\$ 731,627	\$ 533,931	\$ 4,020,043	\$ 3,983,807
Capital assets-net	<u>8,714,567</u>	<u>9,268,990</u>	<u>5,193,894</u>	<u>5,701,542</u>	<u>13,908,461</u>	<u>14,970,532</u>
Total assets	<u>12,002,983</u>	<u>12,718,866</u>	<u>5,925,521</u>	<u>6,235,473</u>	<u>17,928,504</u>	<u>18,954,339</u>
Deferred outflow	<u>22,297</u>	<u>67,210</u>	<u>9,108</u>	<u>20,076</u>	<u>31,405</u>	<u>87,286</u>
Other liabilities	78,373	376,428	132,311	120,020	210,684	496,448
Term liabilities	<u>325,883</u>	<u>312,050</u>	<u>2,381,492</u>	<u>2,340,001</u>	<u>2,707,375</u>	<u>2,652,051</u>
Total liabilities	<u>404,256</u>	<u>688,478</u>	<u>2,513,803</u>	<u>2,460,021</u>	<u>2,918,059</u>	<u>3,148,499</u>
Deferred inflow	<u>72,548</u>	<u>9,115</u>	<u>29,632</u>	<u>2,723</u>	<u>102,180</u>	<u>11,838</u>
Net position:						
Net investment in capital assets	8,393,567	8,962,990	2,825,894	3,374,542	11,219,461	12,337,532
Restricted	2,912,892	2,894,238	-	-	2,912,892	2,894,238
Unrestricted – (Deficit)	<u>242,017</u>	<u>231,255</u>	<u>565,300</u>	<u>418,263</u>	<u>807,317</u>	<u>649,518</u>
Total net position	<u>\$11,548,476</u>	<u>\$12,088,483</u>	<u>\$3,391,194</u>	<u>\$3,792,805</u>	<u>\$14,939,670</u>	<u>\$15,881,288</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Revenues:						
Program revenues						
Charges for services	\$ 473,496	\$ 565,526	\$ 1,045,727	\$ 860,638	\$ 1,519,223	\$ 1,426,164
Operating grants and contributions	252,526	35,000	-	-	252,526	35,000
Capital grants and contributions	39,423	830,549	22,675	618,398	62,098	1,448,947
General revenues						
Sales taxes	377,923	376,240	-	-	377,923	376,240
Property taxes	386,954	409,685	-	-	386,954	409,685
Franchise taxes	76,414	73,778	-	-	76,414	73,778
Hotel/motel tax	126,130	131,526	-	-	126,130	131,526
Investment earnings	17,965	133,599	431	3,509	18,396	137,108
Other income	4,807	32,109	-	-	4,807	32,109
Total revenues	<u>1,755,638</u>	<u>2,588,012</u>	<u>1,068,833</u>	<u>1,482,545</u>	<u>2,824,471</u>	<u>4,070,557</u>
Expenses:						
Financial administration	501,930	1,201,592	-	-	501,930	1,201,592
Municipal Court	26,079	44,908	-	-	26,079	44,908
Code Compliance	45,575	47,037	-	-	45,575	47,037
Police	164,094	166,549	-	-	164,094	166,549
Fire	26,284	50,323	-	-	26,284	50,323
Streets	268,562	289,405	-	-	268,562	289,405
Swimming Pool	115,610	112,588	-	-	115,610	112,588
Parks	57,697	63,018	-	-	57,697	63,018
Libraries	75,169	82,332	-	-	75,169	82,332
Airport	27,861	21,299	-	-	27,861	21,299
Interest on long-term debt	11,938	11,467	-	-	11,938	11,467
Water	-	-	577,213	559,201	577,213	559,201
Sewer	-	-	82,221	106,300	82,221	106,300
Sanitation	327,181	372,920	-	-	327,181	372,920
Total expenses	<u>1,647,980</u>	<u>2,463,438</u>	<u>659,434</u>	<u>665,501</u>	<u>2,307,414</u>	<u>3,128,939</u>
Increase (Decrease) in net assets before transfers	107,658	124,574	409,399	817,044	517,057	941,618
Transfers In (Out)	271,483	415,433	(271,483)	(415,433)	-	-
Change in net position	379,141	540,007	137,916	401,611	517,057	941,618
Beginning net position	<u>11,169,335</u>	<u>11,548,476</u>	<u>3,253,278</u>	<u>3,391,194</u>	<u>14,422,613</u>	<u>14,939,670</u>
Ending net position	<u>\$11,548,476</u>	<u>\$12,088,483</u>	<u>\$3,391,194</u>	<u>\$3,792,805</u>	<u>\$14,939,670</u>	<u>\$15,881,288</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

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 \$2,892,807. Of this year-end total, approximately \$1684,890 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show a decrease of \$37,694 from current year activity.

Proprietary funds

Proprietary Funds - Revenues of the City's business-type activities were \$860,638 which consisted mostly of water and sewer system charges. Water and sewer system revenues for the year ended September 30, 2023, exceeded operating expenses by \$253,698.

General Fund Budgetary Highlights

The General Fund budgeted revenues of \$1,302,170 and expenditures of \$1,571,908 for fiscal year 2023. Actual revenues over expenditures were \$167,925 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, 2023, amounts to \$14,970,532 (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 2022	Governmental Activities 2023	Business- type Activities 2022	Business- type Activities 2023	Total 2022	Total 2023
Land	\$ 42,818	\$ 42,818	\$ -	\$ -	\$ 42,818	\$ 42,818
Infrastructure	5,501,504	6,164,586	5,155,186	5,666,614	10,656,690	11,831,200
Buildings	3,072,252	2,974,251	-	-	3,072,252	2,974,251
Equipment	97,993	87,335	38,708	34,928	136,701	122,263
Totals	<u>\$8,714,567</u>	<u>\$9,268,990</u>	<u>\$5,193,894</u>	<u>\$5,701,542</u>	<u>\$13,908,461</u>	<u>\$14,970,532</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

This year's major additions included:

Governmental activities:	
Paving	\$ 472,635
Sidewalks	293,812
Runway striping	6,100
Business-type activities:	
Water line project	266,554
Wastewater project	351,844
Feasibility study	8,950

Debt

At year-end, the City had \$2,633,000 of bonds, tax notes and notes payable, as shown below:

Outstanding Debt at Year-end

	Governmental Activities 2022	Governmental Activities 2023	Business- type Activities 2022	Business- type Activities 2023	Total 2022	Total 2023
Tax Notes	\$ 321,000	\$ 306,000	\$2,368,000	\$2,327,000	\$2,689,000	\$2,633,000

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 process on a grant 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 is also in process on a grant funded 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 has \$327,037 of funds received from the American Recovery Act. These funds have been budgeted for approved expenses in water, wastewater, broadband or any qualifying governmental service.

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Unit
Assets				
Cash and cash equivalents	\$ -	\$ 340,022	\$ 340,022	\$ 129,884
Receivables (net of allowance for uncollectibles)	468,014	92,951	560,965	169,833
Net pension asset	87,624	26,173	113,797	-
Restricted assets:				
Cash and cash equivalents	310,697	74,785	385,482	60,533
Investments	2,583,541	-	2,583,541	7,505
Capital assets not being depreciated:				
Land	42,818	-	42,818	25,277
Capital assets net of accumulated depreciation:				
Infrastructure	6,164,586	5,666,614	11,831,200	-
Buildings, net	2,974,251	-	2,974,251	964,348
Machinery and Equipment, net	87,335	34,928	122,263	-
Total assets	<u>12,718,866</u>	<u>6,235,473</u>	<u>18,954,339</u>	<u>1,357,380</u>
Deferred Outflow of Resources				
Pension expenditures	65,982	19,709	85,691	-
Other post employment benefits	1,228	367	1,595	-
Total deferred outflow of resources	<u>67,210</u>	<u>20,076</u>	<u>87,286</u>	<u>-</u>
Liabilities				
Accounts payable and other current liabilities	338,271	33,838	372,109	11,546
Payable from restricted assets:				
Customer deposits	-	74,785	74,785	-
Noncurrent Liabilities				
Net other post employment benefits payable	38,157	11,397	49,554	-
Compensated absences payable	6,050	13,001	19,051	-
Tax notes and bonds payable				
Due Within One Year	16,000	42,000	58,000	41,594
Due in More Than One Year	290,000	2,285,000	2,575,000	536,188
Total liabilities	<u>688,478</u>	<u>2,460,021</u>	<u>3,148,499</u>	<u>589,328</u>
Deferred Inflow of Resources				
Pension expenditures	0	0	-	-
Other post employment benefits	9,115	2,723	11,838	-
Total deferred inflow of resources	<u>9,115</u>	<u>2,723</u>	<u>11,838</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	8,962,990	3,374,542	12,337,532	411,843
Restricted	2,894,238	-	2,894,238	356,209
Unrestricted Net Position	231,255	418,263	649,518	-
Total net position	<u>\$ 12,088,483</u>	<u>\$ 3,792,805</u>	<u>\$ 15,881,288</u>	<u>\$ 768,052</u>

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	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	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
Financial Administration	\$ 1,201,592	\$ 99,010	\$ -	830,549	\$ (272,033)	\$ -	\$ (272,033)	\$ -
Municipal Court	44,908	26,881	-	-	(18,027)	-	(18,027)	-
Code compliance	47,037	1,728	-	-	(45,309)	-	(45,309)	-
Police Department	166,549	-	-	-	(166,549)	-	(166,549)	-
Fire Protection	50,323	-	-	-	(50,323)	-	(50,323)	-
Highways and Streets	289,405	-	-	-	(289,405)	-	(289,405)	-
Sanitation	372,920	409,082	-	-	36,162	-	36,162	-
Swimming Pool	112,588	18,661	-	-	(93,927)	-	(93,927)	-
Parks	63,018	-	-	-	(63,018)	-	(63,018)	-
Libraries	82,332	3,877	35,000	-	(43,455)	-	(43,455)	-
Airport	21,299	6,287	-	-	(15,012)	-	(15,012)	-
Interest on long-term debt	11,467	-	-	-	(11,467)	-	(11,467)	-
Total governmental activities	<u>2,463,438</u>	<u>565,526</u>	<u>35,000</u>	<u>830,549</u>	<u>(1,032,363)</u>	<u>-</u>	<u>(1,032,363)</u>	<u>-</u>
Business-type activities:								
Water	559,201	611,797	-	618,398	-	670,994	670,994	-
Sewer	106,300	248,841	-	-	-	142,541	142,541	-
Total business-type activities	<u>665,501</u>	<u>860,638</u>	<u>-</u>	<u>618,398</u>	<u>-</u>	<u>813,535</u>	<u>813,535</u>	<u>-</u>
Total primary government	<u>\$ 3,128,939</u>	<u>\$ 1,426,164</u>	<u>\$ 35,000</u>	<u>\$ 1,448,947</u>	<u>(1,032,363)</u>	<u>813,535</u>	<u>(218,828)</u>	<u>-</u>
Component Unit								
Nonmajor Component Unit	\$ 219,948	36,723	\$ -	\$ -	-	-	-	(183,225)
Total Component Units	<u>\$ 219,948</u>	<u>\$ 36,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(183,225)</u>
General revenues:								
Property taxes					409,685	-	409,685	-
Sales taxes					376,240	-	376,240	125,413
Franchise taxes					73,778	-	73,778	-
Other taxes					131,526	-	131,526	71,144
Miscellaneous revenue					32,109	-	32,109	-
Loss sale of assets					-	-	-	(1,254)
Investment earnings					133,599	3,509	137,108	1,138
Transfers In (Out)					415,433	(415,433)	-	-
Total general revenues and transfers					<u>1,572,370</u>	<u>(411,924)</u>	<u>1,160,446</u>	<u>196,441</u>
Change in net position					540,007	401,611	941,618	13,216
Net position - Beginning					11,548,476	3,391,194	14,939,670	754,836
Net position - Ending					<u>\$ 12,088,483</u>	<u>\$ 3,792,805</u>	<u>\$ 15,881,288</u>	<u>\$ 768,052</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, 2023

	2023						
	General Fund	Community Development Fund	Street Maintenance Fund	Downtown Revitalization Fund	Wastewater Improvement Fund	Other Funds	Total Government Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles)	166,504	-	-	-	284,218	17,292	468,014
Due from other fund	-	-	-	-	10,476	764,876	775,352
Restricted assets:							
Cash and cash equivalents	-	-	46,543	-	-	264,155	310,698
Investments	2,583,541	-	-	-	-	-	2,583,541
Total assets	<u>\$ 2,750,045</u>	<u>\$ -</u>	<u>\$ 46,543</u>	<u>\$ -</u>	<u>\$ 294,694</u>	<u>\$ 1,046,323</u>	<u>\$ 4,137,605</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 26,875	\$ -	\$ 4,765	\$ -	\$ 294,694	\$ -	\$ 326,334
Accrued wages payable	6,669	-	-	-	-	-	6,669
Due to other funds	841,011	-	-	-	-	-	841,011
Total liabilities	<u>874,555</u>	<u>-</u>	<u>4,765</u>	<u>-</u>	<u>294,694</u>	<u>-</u>	<u>1,174,014</u>
Deferred Inflows of Resources:							
Unearned Revenue - Property Taxes	53,492	-	-	-	-	17,292	70,784
Fund balances:							
Restricted							
Debt Service	-	-	-	-	-	309,493	309,493
Assigned for:							
Court technology	-	-	-	-	-	5,847	5,847
Library	98,207	-	-	-	-	-	98,207
Tourism	-	-	-	-	-	81,693	81,693
Maintenance	38,901	-	-	-	-	76	38,977
Capital Expenditures	-	-	41,778	-	-	631,922	673,700
Unassigned	1,684,890	-	-	-	-	-	1,684,890
Total fund balances	<u>1,821,998</u>	<u>-</u>	<u>41,778</u>	<u>-</u>	<u>-</u>	<u>1,029,031</u>	<u>2,892,807</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,750,045</u>	<u>\$ -</u>	<u>\$ 46,543</u>	<u>\$ -</u>	<u>\$ 294,694</u>	<u>\$ 1,046,323</u>	<u>\$ 4,137,605</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, 2023

Governmental activities fund balance	\$ 2,892,807
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,268,990
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 \$87,624, a deferred outflow of resources of \$65,982. The net effect of this is to increase net position.	153,606
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 \$38,157, and a deferred outflow of resources of \$1,228, and deferred inflow of \$9,115. The net effect of this is to decrease net position.	(46,044)
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.	(317,318)
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.	70,783
Elimination interfund receivables on government wide statement.	65,659
Net position of governmental activities	\$ 12,088,483

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, 2023

	2023						Total Government Funds
	General Fund	Community Development Fund	Street Maintenance Fund	Downtown Revitalization Fund	Wastewater Improvement Fund	Other Funds	
Revenues							
Taxes:							
Property taxes	\$ 407,612	\$ -	\$ -	\$ -	\$ -	\$ 3,081	\$ 410,693
General sales and use taxes	314,612	-	61,628	-	-	-	376,240
Franchise tax	73,778	-	-	-	-	-	73,778
Other taxes	-	-	-	-	-	131,526	131,526
Intergovernmental revenue and grants	35,000	248,752	-	261,787	320,010	-	865,549
Charges for services	438,157	-	-	-	-	-	438,157
Fines and fees	26,837	-	-	-	-	100,532	127,369
Donation	-	-	-	-	-	-	-
Investment earnings	89,505	-	196	-	-	43,898	133,599
Other revenue	32,109	-	-	-	-	-	32,109
Total revenues	<u>1,417,610</u>	<u>248,752</u>	<u>61,824</u>	<u>261,787</u>	<u>320,010</u>	<u>279,037</u>	<u>2,589,020</u>
Expenditures							
Administration	470,768	-	-	-	-	104,025	574,793
Municipal court	44,908	-	-	-	-	-	44,908
Code compliance	47,120	-	-	-	-	-	47,120
Police	166,549	-	-	-	-	-	166,549
Fire protection	49,862	-	-	-	-	-	49,862
Highways and streets	168,637	-	-	-	-	-	168,637
Sanitation	370,788	-	-	-	-	-	370,788
Swimming Pool	56,028	-	-	-	-	-	56,028
Parks	58,857	-	-	-	-	-	58,857
Libraries	83,096	-	-	-	-	-	83,096
Airport	2,810	-	-	-	-	-	2,810
Debt service:							
Principal	-	-	-	-	-	15,000	15,000
Interest	-	-	-	-	-	11,725	11,725
Capital outlay	-	266,552	198,696	293,812	351,844	280,037	1,390,941
Total expenditures	<u>1,519,423</u>	<u>266,552</u>	<u>198,696</u>	<u>293,812</u>	<u>351,844</u>	<u>410,787</u>	<u>3,041,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,813)</u>	<u>(17,800)</u>	<u>(136,872)</u>	<u>(32,025)</u>	<u>(31,834)</u>	<u>(131,750)</u>	<u>(452,094)</u>
Other financing sources (uses)							
Transfers (net)	310,558	17,800	126,148	32,025	31,834	(103,965)	414,400
Total other financing sources (uses)	<u>310,558</u>	<u>17,800</u>	<u>126,148</u>	<u>32,025</u>	<u>31,834</u>	<u>(103,965)</u>	<u>414,400</u>
Net change	208,745	-	(10,724)	-	-	(235,715)	(37,694)
Fund balance - October 1 (Beginning)	<u>1,613,253</u>	<u>-</u>	<u>52,502</u>	<u>-</u>	<u>-</u>	<u>1,264,746</u>	<u>2,930,501</u>
Fund balance - September 30 (Ending)	<u>\$ 1,821,998</u>	<u>\$ -</u>	<u>\$ 41,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,029,031</u>	<u>\$ 2,892,807</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, 2023

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

Net change in fund balances-total governmental funds	\$ (37,694)
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.	554,423
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.	14,091
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.	9,163
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 \$1,009. This results in a decrease in net position.	(1,009)
Elimination interfund receivables on government wide statement.	1,033
Changes in net position of governmental activities	<u>\$ 540,007</u>

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities Enterprise Fund
	2023
Assets	
Current assets:	
Cash and cash equivalents	\$ 340,022
Accounts receivable (net of allowance for uncollectibles)	92,951
Due from other funds	76,135
Net pension asset	26,173
Restricted assets:	
Cash and cash equivalents	74,785
Total current assets	610,066
Noncurrent assets:	
Capital assets:	
Infrastructure	6,849,086
Buildings	23,572
Machinery and Equipment	347,823
Accumulated Depreciation-Capital Assets	(1,518,939)
Total noncurrent assets	5,701,542
Total assets	6,311,608
Deferred Outflow of Resources	
Pension expenditures	19,709
Other post employment benefits	367
Total deferred outflow of resources	20,076
Liabilities	
Current liabilities:	
Accounts payable	23,865
Accrued payroll	2,801
Accrued interest payable	7,172
Due to other funds	10,476
Customer deposits-payable from restricted assets	74,785
Tax notes payable-current portion	42,000
Total current liabilities	161,099
Noncurrent liabilities:	
Compensated absences	13,001
Net other post employment benefits payable	11,397
Tax notes payable-net of current portion	2,285,000
Total noncurrent liabilities	2,309,398
Total liabilities	2,470,497
Deferred Inflow of Resources	
Other post employment benefits	2,723
Total deferred inflow of resources	2,723
Net Position	
Net Investment in capital assets	3,374,542
Unrestricted net position	483,922
Total net position	\$ 3,858,464
Adjustment to eliminate interfund receivable/payable to agree to statement of Net Position	(65,659)
Government wide statement of net position	\$ 3,792,805

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, 2023

	Business-type Activities- Enterprise Fund
	2023
Operating revenues:	
Charges for Water Services	\$ 611,797
Charges for Sewer Services	248,841
Total operating revenues	860,638
Operating expenses:	
Personal Services-Salaries and Wages	137,343
Personal Services-Employee Benefits	45,363
Purchased Property Services	230,067
Other Operating Expenses	54,672
Supplies	19,795
Depreciation	119,700
Total operating expenses	606,940
Operating income (loss)	253,698
Other income (expense):	
Interest income	3,509
Interest expense	(58,561)
Total other income (expense)	(55,052)
Contributions and operating transfers:	
Contributed capital	618,398
Transfers (net)	(414,400)
Total contributions and operating transfers	203,998
Change in Net Position	402,644
Total Net Position - October 1 (Beginning)	3,455,820
Total Net Position - September 30 (Ending)	\$ 3,858,464
Adjustment to eliminate interfund receivable/payable to agree to statement of Net Position	(65,659)
Government wide statement of net position	\$ 3,792,805

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, 2023

	Total Enterprise Fund <u>2023</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 864,139
Payments to suppliers	(307,696)
Payments to employees	(175,046)
Net cash provided by operating activities	<u>381,397</u>
Cash flows provided by noncapital financing activities	
Due to/from other funds	2,476
Operating transfers	(414,400)
Net cash (used by noncapital financing activities)	<u>(411,924)</u>
Cash flows from capital and related financing activities	
Purchase capital assets	(8,950)
Principal paid on long-term debt	(41,000)
Interest paid	(58,688)
Net cash (used) by capital and related financing activities	<u>(108,638)</u>
Cash flows from investing activities	
Customer deposits	(410)
Net cash provided by investing activities	<u>(410)</u>
Net increase in cash and cash equivalents	(139,575)
Cash and cash equivalents at beginning of year	<u>554,382</u>
Cash and cash equivalents at end of year	<u>\$ 414,807</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 253,698
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	119,700
Pension expense	8,063
(Increase) decrease in current assets:	
Receivables	3,501
Increase (decrease) in current liabilities:	
Accounts payable	(3,162)
Accrued payroll	(403)
Net cash provided by operating activities	<u>\$ 381,397</u>
Noncash investing, capital, and financing activities:	
Assets contributed from Capital Projects Fund	<u>\$ 618,398</u>

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
 STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2023

	Check Free Pay Fund
	2023
Assets	
Restricted assets:	
Cash and cash equivalents	\$ 323
Total assets	323
Liabilities	
Due to others	323
Total liabilities	\$ 323

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
 STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Check Free Pay Fund
	2023
Additions	
Utility payments	\$ 153,848
Total additions	153,848
Deductions	
Utilities	153,525
Total deductions	153,525
Change in net assets	323
Net position - beginning	-
Net position - ending	\$ 323

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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, 2023

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.

Street Maintenance Fund is a capital projects fund used to account for funds to be used for capital improvements.

Downtown Revitalization Fund is a capital projects fund used to account for funds to be used for the capital improvements.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Wastewater Improvement Fund is a capital projects fund used to account for funds to be used for the capital improvements.

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.

Other Fund Types

Fiduciary fund is used to account for the check free payment fund provides a way for local citizens to pay their utility bills without a checking account.

D. ASSETS, LIABILITES, 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, 2023.

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. Deferred Outflows/Inflows of Resources

Deferred outflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets.

Deferred inflows of resources refers to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position, similar to liabilities.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

4. 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.

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

5. 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	\$ 81,692
Capital expenditures	80,635
Debt service	95,980
Street maintenance	46,543
Technology	5,847
Total Cash and cash equivalents	<u>\$ 310,697</u>
Investments	
Maintenance	\$ 1,709,458
Library	87,207
Economic recovery	326,799
Debt service	213,513
Capital expenditures	224,564
Total investments	<u>\$ 2,583,541</u>
Water & Sewer Fund:	
Cash and cash equivalents	\$ 74,785

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

6. 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.

7. 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.

8. 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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

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.

9. 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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

10. 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.

11. Other Post Employment Benefits

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, 2023:

Cash and deposit balances consist of	
Bank deposits	\$ 915,921
Certificates of deposit	18,505
Government-sponsored investment pool (TexPool)	<u>2,572,541</u>
Total	<u>\$ 3,506,967</u>

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

Government-wide Statement of net position	\$ 3,309,045
Component Unit	<u>197,922</u>
Total	<u>\$ 3,506,967</u>

As of September 30, 2023, the carrying amount of the City's bank deposits and certificates of deposit was \$736,827, and the respective bank balances totaled \$812,500. The entire balance was covered by federal depository insurance and securities held by the pledging financial institution's agent held in City's name.

As of September 30, 2023, the carrying amount of the Economic Development Corporation's book balance was \$197,922, and the respective bank balances totaled \$202,904. 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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

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, 2023, 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.

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 not 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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

- 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, 2023, were \$.61375 and \$.00, respectively, per \$100 valuation. The combined tax rate on the 2021 tax roll was \$.5849 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.

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	\$ 225,171	\$ -	\$ 225,171
Intergovernmental	284,218	-	284,218
Customer-trade	<u>32,005</u>	<u>98,203</u>	<u>130,208</u>
Gross receivables	541,394	98,203	639,597
Less: Allowance for uncollectible accounts	<u>(73,380)</u>	<u>(5,252)</u>	<u>(78,632)</u>
Net total receivables	<u>\$ 468,014</u>	<u>\$ 92,951</u>	<u>\$ 560,965</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

Discretely Presented Component Unit

Clarendon Economic Development Corporation receivables at September 30, 2023, consist of the following:

Taxes and assessments	\$ 24,533
Notes receivable	<u>145,300</u>
Total receivables	<u>\$169,833</u>

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2023, 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>26,765</u>	<u>-</u>	<u>26,765</u>	<u>-</u>
Total capital assets, not being depreciated	<u>69,583</u>	<u>-</u>	<u>26,765</u>	<u>42,818</u>
Capital assets, being depreciated:				
Infrastructure	9,012,870	799,312	-	9,812,182
Buildings and improvements	3,554,874	-	-	3,554,874
Equipment	<u>1,257,816</u>	<u>-</u>	<u>-</u>	<u>1,257,816</u>
Total capital assets, being depreciated	<u>13,825,560</u>	<u>799,312</u>	<u>-</u>	<u>14,624,872</u>
Less accumulated depreciation for:				
Infrastructure	(3,511,366)	(136,230)	-	(3,647,596)
Buildings and improvements	(509,387)	(71,236)	-	(580,623)
Equipment	<u>(1,159,823)</u>	<u>(10,658)</u>	<u>-</u>	<u>(1,170,481)</u>
Total accumulated depreciation	<u>(5,180,576)</u>	<u>(218,124)</u>	<u>-</u>	<u>(5,398,700)</u>
Total capital assets, being depreciated, net	<u>8,644,984</u>	<u>581,188</u>	<u>-</u>	<u>9,226,172</u>
Governmental activities capital assets, net	<u>\$ 8,714,567</u>	<u>\$ 581,188</u>	<u>\$ 26,765</u>	<u>\$ 9,268,990</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Construction in Process	\$ -	\$ 351,844	\$ -	\$ 351,844
Capital assets, being depreciated:				
Infrastructure	6,221,738	275,504	-	6,497,242
Buildings	23,572	-	-	23,572
Equipment	<u>347,823</u>	<u>-</u>	<u>-</u>	<u>347,823</u>
Total capital assets, being depreciated:	<u>6,593,133</u>	<u>275,504</u>	<u>-</u>	<u>6,868,637</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Less accumulated depreciation for:				
Infrastructure	\$(1,066,552)	\$ (115,920)	\$ -	\$(1,182,472)
Buildings	(23,572)	-	-	(23,572)
Equipment	<u>(309,115)</u>	<u>(3,780)</u>	-	<u>(312,895)</u>
Total accumulated depreciation	<u>(1,399,239)</u>	<u>(119,700)</u>	-	<u>(1,518,939)</u>
Total capital assets, being depreciated, net	<u>5,193,894</u>	<u>155,804</u>	-	<u>5,349,698</u>
Business-type activities capital assets, net	<u>\$ 5,193,894</u>	<u>\$ 507,648</u>	<u>\$ -</u>	<u>\$ 5,701,542</u>

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

Governmental activities:

General government	\$ 12,707
Code compliance	464
Street	122,409
Fire	461
Recycling	2,132
Swimming pool	56,560
Park	4,902
Airport	18,489
Total depreciation expense – governmental activities:	<u>\$ 218,124</u>

Business-type activities:

Water and Sewer	<u>\$ 119,007</u>
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Discretely presented component unit

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<u>Economic Development activities:</u>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 25,277	\$ -	\$ 25,277
Capital assets, being depreciated:				
Buildings and improvements	1,250,955	-	80,191	1,170,764
Less accumulated depreciation	<u>(190,316)</u>	<u>(36,287)</u>	<u>20,187</u>	<u>(206,416)</u>
Total capital assets being depreciated (net)	<u>1,060,639</u>	<u>(36,287)</u>	<u>60,004</u>	<u>964,348</u>
Economic Development activities capital assets (net)	<u>\$1,060,639</u>	<u>\$ (11,010)</u>	<u>\$ 60,004</u>	<u>\$ 989,625</u>
Component unit depreciation expense:				
Economic Development Corporation		<u>\$ 36,287</u>		

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 6 – INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

Interfund receivables and payables at September 30, 2023 consisted of the following:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Reason</u>
Improvement Fund	General Fund	\$224,564	Investment held in General Fund
Enterprise Fund	General Fund	76,135	Investment held in General Fund
American Recovery Fund	General Fund	326,799	Investment held in General Fund
USDA Debt Service Fund	General Fund	213,513	Investment held in General Fund
Wastewater Improvement Fund	Enterprise Fund	10,476	Balance due on construction
		<u>\$ 851,487</u>	

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

	Transfers Out	Transfers In
General Fund	\$ -	\$ 311,591
Community Development Fund	-	17,800
Street Maintenance Fund	-	126,148
Downtown Revitalization Fund	-	32,025
Wastewater Improvement Fund	-	31,834
Other Funds	103,965	-
Water and Sewer Fund	415,433	-
Total primary government	<u>\$ 519,398</u>	<u>\$ 519,398</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, 2023

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, 2023:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental activities:					
General Obligation Bond	\$ 321,000	\$ -	\$ 15,000	\$ 306,000	\$ 16,000
Compensated absences	4,883	1,167	-	6,050	-
Total Governmental activities	<u>\$ 325,883</u>	<u>\$ 1,167</u>	<u>\$ 15,000</u>	<u>\$ 312,050</u>	<u>\$ 16,000</u>
Business-type activities:					
Certificate of Obligation	\$2,368,000	\$ -	\$ 41,000	\$2,327,000	\$ 42,000
Compensated absences	13,492	-	491	13,001	-
Total Business-type activities	<u>\$2,381,492</u>	<u>\$ -</u>	<u>\$ 41,491</u>	<u>\$2,340,001</u>	<u>\$ 42,000</u>

General obligation bonds and tax notes at September 30, 2023, are comprised of the following individual issues:

	Range of Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding At 9/30/23
Governmental activities:					
Certificate of Obligation, 2017 Series	3.74%	10/15/37	\$13,000- 26,000	375,000	\$ 306,000
Business-type activities:					
Certificate of Obligation, 2018 Series	2.50%	8/15/58	\$37,000- 97,000	2,522,000	2,327,000

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			
2024	\$ 16,000	\$ 11,145	\$ 27,145
2025	16,000	10,527	26,527
2026	17,000	9,930	26,930
2027	17,000	9,294	26,294
2028	18,000	8,639	26,639
2029-33	101,000	32,371	133,371
2034-38	121,000	11,612	132,612
Total	<u>\$ 306,000</u>	<u>\$ 93,518</u>	<u>\$ 399,518</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

Due During Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Business-type activities: Certificate of Obligation			
2024	\$ 42,000	\$ 57,733	\$ 99,733
2025	43,000	56,513	99,513
2026	44,000	55,505	99,505
2027	45,000	54,392	99,392
2028	47,000	53,315	100,315
2029-33	252,000	247,778	499,778
2034-38	285,000	214,317	499,317
2039-43	322,000	176,458	498,458
2044-48	365,000	133,630	498,630
2049-53	415,000	84,825	499,825
2054-58	<u>467,000</u>	<u>28,538</u>	<u>495,538</u>
Total	<u>\$2,327,000</u>	<u>\$1,163,004</u>	<u>\$3,490,004</u>

Clarendon Economic Development Corporation notes at September 30, 2023, are comprised of the following:

	<u>Range of Interest Rates</u>	<u>Final Maturity Date</u>	<u>Payments</u>	<u>Original Amount</u>	<u>Outstanding At 9/30/23</u>
Note payable	3.95%	8/23/37	\$ 2,087 Qtr	\$ 666,250	\$ 518,005
Note payable	8.75	3/20/28	1,500 Mth	62,000	59,777

Debt maturities for notes, are as follows:

Due During Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Economic Development Corporation Notes			
2024	\$ 41,594	\$ 24,753	\$ 66,347
2025	43,941	22,406	66,347
2026	46,443	19,904	66,347
2027	47,995	17,232	65,227
2028	33,120	15,227	48,347
2029-33	186,614	55,121	241,735
2034-37	<u>178,075</u>	<u>15,312</u>	<u>193,387</u>
Total	<u>\$ 577,782</u>	<u>\$ 169,955</u>	<u>\$ 747,737</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The City of Clarendon participates as one of 919 plans in the defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. 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 Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

BENEFITS PROVIDED

TMRS provides retirement, disability, and death benefits. Benefit 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 total 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>13</u>
Total	<u>44</u>

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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 1.19% and 1.32% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$6,157, and were equal to the required contributions.

NET PENSION LIABILITY

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

Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for 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, 2023

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 arithmetic of real rates of return for each major asset class in the fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
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, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation

Changes in Net Pension Liability

	Total Pension <u>Liability</u> <u>(a)</u>	Plan Fiduciary <u>Net Position</u> <u>(b)</u>	Net Pension <u>Liability</u> <u>(a) – (b)</u>
Balance at 12/31/2021	<u>\$ 987,397</u>	<u>\$1,265,993</u>	<u>\$ (278,596)</u>
Changes for the year:			
Service cost	43,038	-	43,038
Interest	66,218	-	66,218
Change of benefit terms	-	-	-
Difference between expected and actual experience	101	-	101
Changes of assumptions	-	-	-
Contributions – employer	-	5,845	(5,845)
Contributions – employee	-	30,995	(30,995)
Net investment income	-	(92,437)	92,437
Benefit payments, including refunds of employee contributions	(55,807)	(55,807)	-
Administrative expense	-	(800)	800
Other changes	-	955	(955)
Net changes	<u>53,550</u>	<u>(111,249)</u>	<u>164,799</u>
Balance at 12/31/2022	<u>\$1,040,947</u>	<u>\$1,154,744</u>	<u>\$ (113,797)</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	\$(18,065)	\$ (113,797)	\$ (194,934)

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, 2023

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, 2023, the City recognized pension (income) expense of \$(40,674).

At September 30, 2023, 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	\$ 25	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	80,922	-
Contributions subsequent to the measurement date	<u>4,744</u>	-
Total	<u>\$ 85,691</u>	<u>\$ -</u>

\$4,744 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, 2023. 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:	
2023	\$ 4,164
2024	19,712
2025	21,495
2026	<u>35,576</u>
Total	<u>\$ 80,947</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, 2023

NOTE 9 - DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN - Continuation

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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>13</u>
Total	<u>21</u>

CONTRIBUTIONS

The contribution rates for SDBF for the City of Clarendon were .96% and .56% in calendar years 2023 and 2022, respectively. The City's contributions to SDBF for the year ended September 30, 2023, were \$1,937, and were equal to the required contributions.

ACTUARIAL ASSUMPTIONS

The OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	4.05%
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, 2022.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9 - DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN - Continuation

Discount Rate

The discount rate used to measure the OPEB Liability was 4.05%. 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, 2022.

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate 3.05%	Discount Rate 4.05%	1% Increase in Discount Rate 5.05%
City's OPEB liability	\$ 56,711	\$ 49,554	\$ 43,769

Changes in the OPEB Liability

	Total OPEB Liability <u>(a)</u>
Balance at 12/31/2021	\$ <u>69,230</u>
Changes for the year:	
Service cost	4,384
Interest on Total OPEB Liability	1,301
Change of benefit terms including TMRS plan participation	-
Difference between expected and actual experience	(5,623)
Changes of assumptions or other inputs	(18,321)
Benefit payments*	<u>(1,417)</u>
Net changes	<u>(19,676)</u>
Balance at 12/31/2022	\$ <u>49,554</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, 2023

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, 2023, the City recognized OPEB expense of \$(1,903).

At September 30, 2023, 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	\$ (4,848)	\$ -
Changes in actuarial assumptions	(6,990)	-
Contributions subsequent to the measurement date	<u>-</u>	<u>1,595</u>
Total	<u>\$ (11,838)</u>	<u>\$ 1,595</u>

\$1,595 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, 2023. 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:	
2023	\$ (6,167)
2024	(5,671)
2025	-
2026	-
2027	<u>-</u>
Total	<u>\$ (11,838)</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 \$220,991 to the Authority for the fiscal year ended September 30, 2023.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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, 2023, the City had expenditures in excess of the budgeted account in the General Fund in the following areas and amounts:

General Fund	
Municipal court	\$ 12,693
Fire protection	22,897
Parks	4,327

NOTE 14 – SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CLARENDON, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 384,000	\$ 384,000	\$ 407,612	\$ 23,612
General sales and use taxes	296,875	296,875	314,612	17,737
Franchise tax	73,625	73,625	73,778	153
Intergovernmental revenue and grants	85,000	85,000	35,000	(50,000)
Charges for services	423,690	423,690	438,157	14,467
Fines and fees	18,050	18,050	26,837	8,787
Investment earnings	19,250	19,250	89,505	70,255
Other revenue	1,680	1,680	32,109	30,429
Total revenues	<u>1,302,170</u>	<u>1,302,170</u>	<u>1,417,610</u>	<u>115,440</u>
Expenditures				
Current:				
General government:				
Administration	484,840	484,840	470,768	14,072
Municipal court	30215	30,215	44,908	(14,693)
Code compliance	70,780	70,780	47,120	23,660
Public safety:				
Police	166,555	166,555	166,549	6
Fire protection	26,965	26,965	49,862	(22,897)
Public works:				
Highways and streets	193,750	193,750	168,637	25,113
Sanitation	377,990	377,990	370,788	7,202
Culture and recreation:				
Swimming Pool	63,850	63,850	56,028	7,822
Parks	54,530	54,530	58,857	(4,327)
Libraries	89,680	89,680	83,096	6,584
Airport	7,475	7,475	2,810	4,665
Capital outlay:				
Capital outlay	5,278	5,278	-	5,278
Total expenditures	<u>1,571,908</u>	<u>1,571,908</u>	<u>1,519,423</u>	<u>52,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(269,738)</u>	<u>(269,738)</u>	<u>(101,813)</u>	<u>167,925</u>
Other financing sources (uses)				
Transfers In (out)	321,590	321,590	310,558	(11,032)
Total other financing sources (uses)	<u>321,590</u>	<u>321,590</u>	<u>310,558</u>	<u>(11,032)</u>
Net change	51,852	51,852	208,745	156,893
Fund balance - October 1 (Beginning)	1,613,253	1,613,253	1,613,253	-
Fund balance - September 30 (Ending)	<u>\$ 1,665,105</u>	<u>\$ 1,665,105</u>	<u>\$ 1,821,998</u>	<u>\$ 156,893</u>

CITY OF CLARENDON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2023

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

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
Total pension liability									
Service Cost	\$ 23,988	\$ 28,970	\$ 45,485	\$ 47,421	\$ 49,104	\$ 52,175	\$ 52,073	\$ 41,563	\$ 43,038
Interest (on the Total Pension Liability)	36,806	39,096	42,693	47,731	52,304	56,828	59,506	62,772	66,218
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)	(8,198)	101
Change of assumptions	-	16,159	-	-	-	(833)	-	-	-
Benefit payments, including refunds of employee contributions	(37,067)	(16,773)	(14,402)	(13,323)	(29,597)	(25,566)	(56,236)	(35,826)	(55,807)
Net change in Total Pension Liability	11,655	72,952	73,126	75,052	63,469	55,057	43,434	60,311	53,550
Total Pension Liability - Beginning	532,341	543,996	616,948	690,074	765,126	828,595	883,652	927,086	987,397
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>	<u>\$ 987,397</u>	<u>\$ 1,040,947</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ (2)	\$ 522	\$ 2,162	\$ 6,255	\$ 7,242	\$ 7,907	\$ 7,684	\$ 6,276	\$ 5,845
Contributions - Employee	19,442	24,464	32,892	33,942	35,280	37,652	38,695	30,886	30,995
Net Investment Income	38,721	1,029	47,722	107,285	(27,200)	138,119	79,773	145,988	(92,437)
Benefit payments, including refunds of employee contributions	(37,067)	(16,773)	(14,402)	(13,323)	(29,597)	(25,566)	(56,236)	(35,826)	(55,807)
Administrative expense	(404)	(627)	(539)	(556)	(525)	(780)	(516)	(675)	(800)
Other	(33)	(31)	(29)	(28)	(29)	(23)	(22)	3	955
Net Change in Plan Fiduciary Net Position	20,657	8,584	67,806	133,575	(14,829)	157,309	69,378	146,652	(111,249)
Plan Fiduciary Net Position - Beginning	676,861	697,518	706,102	773,908	907,483	892,654	1,049,963	1,119,341	1,265,993
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>	<u>\$ 1,265,993</u>	<u>\$ 1,154,744</u>
Net Pension Liability Ending (a)-(b)	\$ (153,522)	\$ (89,154)	\$ (83,834)	\$ (142,357)	\$ (64,059)	\$ (166,311)	\$ (192,255)	\$ (278,596)	\$ (113,797)
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%	128.22%	110.93%
Covered Employee Payroll	\$ 388,834	\$ 439,608	\$ 469,883	\$ 484,879	\$ 502,595	\$ 537,886	\$ 552,788	\$ 441,225	\$ 442,782
Net Pension Liability as a Percentage of Covered Employee Payroll	-39.48%	-20.28%	-17.84%	-29.36%	-12.75%	-30.92%	-34.78%	-63.14%	-25.70%

CITY OF CLARENDON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2023

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

	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023
Actuarially Determined Contribution	\$ 1,085	\$ 2,090	\$ 4,696	\$ 8,239	\$ 7,662	\$ 9,247	\$ 6,357	\$ 6,106	\$ 6,157
Contributions in relation to the actuarially determined contribution	1,085	2,090	4,696	8,239	7,662	9,247	6,357	6,106	6,157
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 388,834	\$ 465,421	\$ 479,138	\$ 490,133	\$ 534,183	\$ 571,440	\$ 453,203	\$ 453,685	\$ 505,707
Contributions as a percentage of covered employee payroll	0.00%	0.45%	0.98%	1.68%	1.43%	1.62%	1.40%	1.35%	1.22%

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, 2023

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>	<u>12/31/2021</u>	<u>12/31/2022</u>
Total OPEB liability						
Service Cost	\$ 3,782	\$ 4,322	\$ 3,711	\$ 7,020	\$ 3,839	\$ 4,384
Interest on Total OPEB Liability	1,414	1,507	1,592	1,415	1,287	1,301
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(5,583)	(5,013)	(219)	162	(5,623)
Change in assumptions or other inputs	2,873	(2,370)	6,856	6,633	1,767	(18,321)
Benefit payments*	<u>(194)</u>	<u>(201)</u>	<u>(215)</u>	<u>(276)</u>	<u>(485)</u>	<u>(1,417)</u>
Net change in OPEB Liability	7,875	(2,325)	6,931	14,573	6,570	(19,676)
Total Pension Liability - Beginning	<u>35,606</u>	<u>43,481</u>	<u>41,156</u>	<u>48,087</u>	<u>62,660</u>	<u>69,230</u>
Total Pension Liability - Ending	<u>\$ 43,481</u>	<u>\$ 41,156</u>	<u>\$ 48,087</u>	<u>\$ 62,660</u>	<u>\$ 69,230</u>	<u>\$ 49,554</u>
Covered Employee Payroll	\$ 484,879	\$ 502,595	\$ 537,886	\$ 552,788	\$ 441,225	\$ 442,782
OPEB Liability as a Percentage of Covered Employee Payroll	8.97%	8.19%	8.94%	11.34%	15.69%	11.19%

* 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, 2023

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>	<u>9/30/2022</u>	<u>9/30/2023</u>
Actuarially Determined Contribution	\$ 103	\$ 277	\$ 209	\$ 421	\$ 1,204	\$ 1,937
Contributions in relation to the actuarially determined contribution	103	277	209	421	1,204	1,937
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 490,133	\$ 534,183	\$ 571,440	\$ 453,203	\$ 453,685	\$ 505,707
Contributions as a percentage of covered employee payroll	0.02%	0.05%	0.04%	0.09%	0.27%	0.38%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate *	4.05%
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 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, 2022.

Note

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

COMBINING AND INDIVIDUAL FUND SCHEDULES

CITY OF CLARENDON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023									
	Court Tech Fund	Hotel Motel Tax Fund	Rolling Stock Fund	Airport Maintenance Fund	Improvement Fund	American Recovery Fund	Capital Improvement Fund	USDA Debt Service Fund	Debt Service Fund	Total Nonmajor Funds
ASSETS										
Receivables (net of allowances for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,292	\$ 17,292
Restricted assets:										
Cash and cash equivalents	5,847	81,693	45,226	76	32,500	238	2,595	95,765	215	264,155
Due from other funds	-	-	-	-	224,564	326,799	-	213,513	-	764,876
Total assets	<u>\$ 5,847</u>	<u>\$ 81,693</u>	<u>\$ 45,226</u>	<u>\$ 76</u>	<u>\$ 257,064</u>	<u>\$ 327,037</u>	<u>\$ 2,595</u>	<u>\$ 309,278</u>	<u>\$ 17,507</u>	<u>\$ 1,046,323</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>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:										
Unearned Revenue - Property Taxes	-	-	-	-	-	-	-	-	17,292	17,292
Fund balances:										
Unreserved and Undesignated:										
Reported in the										
Special Revenue Fund	5,847	81,693	45,226	76	257,064	327,037	2,595	309,278	215	1,029,031
Total fund balances	<u>5,847</u>	<u>81,693</u>	<u>45,226</u>	<u>76</u>	<u>257,064</u>	<u>327,037</u>	<u>2,595</u>	<u>309,278</u>	<u>215</u>	<u>1,029,031</u>
Total liabilities and fund balances	<u>\$ 5,847</u>	<u>\$ 81,693</u>	<u>\$ 45,226</u>	<u>\$ 76</u>	<u>\$ 257,064</u>	<u>\$ 327,037</u>	<u>\$ 2,595</u>	<u>\$ 309,278</u>	<u>\$ 17,507</u>	<u>\$ 1,046,323</u>

CITY OF CLARENDON, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023									
	Court Tech Fund	Hotel Motel Tax Fund	Rolling Stock Fund	Airport Maintenance Fund	Improvement Fund	American Recovery Fund	Capital Improvement Fund	USDA Debt Service Fund	Debt Service Fund	Total Nonmajor Funds
Revenues										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,081	\$ 3,081
Other taxes	-	131,526	-	-	-	-	-	-	-	131,526
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-
Fines and fees	1,522	-	-	-	-	-	-	99,010	-	100,532
Donations	-	-	-	-	-	-	-	-	-	-
Investment earnings	-	524	228	37	11,220	21,259	22	10,608	-	43,898
Total revenues	<u>1,522</u>	<u>132,050</u>	<u>228</u>	<u>37</u>	<u>11,220</u>	<u>21,259</u>	<u>22</u>	<u>109,618</u>	<u>3,081</u>	<u>279,037</u>
Expenditures										
Administrative	-	104,025	-	-	-	-	-	-	-	104,025
Operating supplies	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	15,000	-	-	-	-	-	-	-	15,000
Interest	-	11,725	-	-	-	-	-	-	-	11,725
Capital outlay	-	-	-	6,100	-	137,750	136,187	-	-	280,037
Total expenditures	<u>-</u>	<u>130,750</u>	<u>-</u>	<u>6,100</u>	<u>-</u>	<u>137,750</u>	<u>136,187</u>	<u>-</u>	<u>-</u>	<u>410,787</u>
Excess (deficiency) of revenues over (under) expenditures	1,522	1,300	228	(6,063)	11,220	(116,491)	(136,165)	109,618	3,081	(131,750)
Transfers In (Out)	-	-	21,083	-	(164,120)	-	138,760	(96,608)	(3,080)	(103,965)
Net change	1,522	1,300	21,311	(6,063)	(152,900)	(116,491)	2,595	13,010	1	(235,715)
Fund balance - Beginning	<u>4,325</u>	<u>80,393</u>	<u>23,915</u>	<u>6,139</u>	<u>409,964</u>	<u>443,528</u>	<u>-</u>	<u>296,268</u>	<u>214</u>	<u>1,264,746</u>
Fund balance - Ending	<u>\$ 5,847</u>	<u>\$ 81,693</u>	<u>\$ 45,226</u>	<u>\$ 76</u>	<u>\$ 257,064</u>	<u>\$ 327,037</u>	<u>\$ 2,595</u>	<u>\$ 309,278</u>	<u>\$ 215</u>	<u>\$ 1,029,031</u>

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

Denise Foster C.P.A.
Tracy Lambert C.P.A.
April Foard C.P.A.

305 S. Main St., P.O. Box 329
Quanah, Texas 79252
940-663-5791

Independent Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Mayor and City Council
City of Clarendon, Texas
P.O. Box 1089
Clarendon, Texas 79226

Members of the Board:

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clarendon, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Clarendon, Texas' basic financial statements and have issued our report thereon dated January 11, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarendon, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 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.

A handwritten signature in black ink that reads "Foster, Lambert & Foard LLC". The signature is written in a cursive, flowing style.

Foster, Lambert & Foard, L.L.C.
January 11, 2024

Denise Foster C.P.A.
Tracy Lambert C.P.A.
April Foard, C.P.A.

305 S. Main, P.O. Box 329
Quanah, Texas 79252
940-663-5791

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Mayor and City Council
City of Clarendon, Texas
P.O. Box 1089
Clarendon, Texas 79226

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Clarendon, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Clarendon, Texas' major federal programs for the year ended September 30, 2023. City of Clarendon, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Clarendon, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Clarendon, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Clarendon, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Clarendon, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Clarendon, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Clarendon, Texas' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Clarendon, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Clarendon, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Clarendon, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Foster, Lambert & Foard LLC

Foster, Lambert & Foard, LLC
January 11, 2024

CITY OF CLARENDON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

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: **None**
 - 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: **Unmodified.**
- Audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a): **None.**
- Identification of major programs:
14.228 Community Development Block Grant
- Dollar threshold used to distinguish between Type A and Type B programs:
\$750,000.
- Auditee qualification as a low-risk auditee: **No.**

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, 2023

There were no current year findings.

CITY OF CLARENDON, TEXAS

SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED
SEPTEMBER 30, 2023

There were no prior year audit findings

CITY OF CLARENDON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Federal Award Contract Number	Expenditures, Indirect Costs and Refunds
Federal Awards:			
U.S. Department of Housing and Urban Development Passed Through: Texas Department of Agriculture	14.228	CDM21-0168	\$ 581,797
US Department of Agriculture	10.76		248,754
U.S. Department of the Treasury	21.027		<u>137,750</u>
Total Federal			<u><u>\$ 968,301</u></u>

CITY OF CLARENDON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS SEPTEMBER 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of City of Clarendon, Texas and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The statement of net position and related statements of revenues, expenses, and changes in net position, and cash flows are presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from those used in the preparation of the basic financial statements.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

Entities that receive federal awards for which an indirect cost rate has never been negotiated may elect to change a de minimis indirect cost rate of ten percent of modified total direct costs. The District did not elect to change the de minimis rate to any of its federal awards during the year ended September 30, 2023.

NOTE 3 – SUBRECIPIENTS

There were no subrecipients.

Note 4 – RECONCILIATION OF FEDERAL EXPENDITURES TO THE FINANCIAL STATEMENTS

	<u>Federal</u>
Amount of grants per Statement of Activities	\$ 1,448,947
American Recovery funds spent current year	137,752
Amount contributed to Business-type activities	<u>(618,398)</u>
Total per expenditures per the SEFA	<u>\$ 968,301</u>