

CITY OF CLUTE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2025



**8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

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CITY OF CLUTE, TEXAS

Annual Financial Report

For the Year Ended September 30, 2025

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor
and Members of City Council
City of Clute, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clute, Texas (the "City"), as of and for the year ended September 30, 2025, 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 the 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.

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Angleton, TX 77515
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Bay City
2245 Avenue G
Bay City, TX 77414
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Responsibilities of Management for the Financial Statements - Continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that 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, budgetary comparison information, required pension schedules and required OPEB schedules on pages 11 through 22 and pages 82 through 95 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's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are 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 basic 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 schedules 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 March 19, 2026, on our consideration of the City's 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's 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's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
March 19, 2026

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CITY OF CLUTE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025

As management of the City of Clute, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 57,097,162 (net position). Of this amount, \$ 8,523,261 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The City's total net position decreased in the amount of \$ 1,108,625.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 20,930,354. 17.22% of this total amount, \$ 3,605,250 (unassigned fund balance) is available for use within the City's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 3,642,780 or 23.82% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two 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 is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City include general government and administration, public safety, public works, and cultural and recreation. The *business-type activities* of the City include water and sewer operations.

The government-wide financial statements can be found on pages 25 through 27 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Streets, Drainage, and Sidewalks Fund, and the Economic Development Corporation Fund; all of which are considered to be major funds. Data from the other three funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 28 through 31 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 98 through 99 of this report.

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025

- **Proprietary Funds.** The City maintains one category of *proprietary funds-Enterprise Funds*. The *enterprise fund* is to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 32 through 35 of this report.

- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 80 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 82 through 95 of this report.

Combining and individual fund statements and schedules are presented following the required supplementary information. These statements and schedules can be found on pages 98 through 102 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 57,097,162 as of September 30, 2025.

A large portion of the City's net position of \$ 34,255,457 (59.99%) reflects its investments in capital assets (e.g., land, buildings and improvements, infrastructure, furniture, equipment and vehicles, right to use leased assets, construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CLUTE, TEXAS

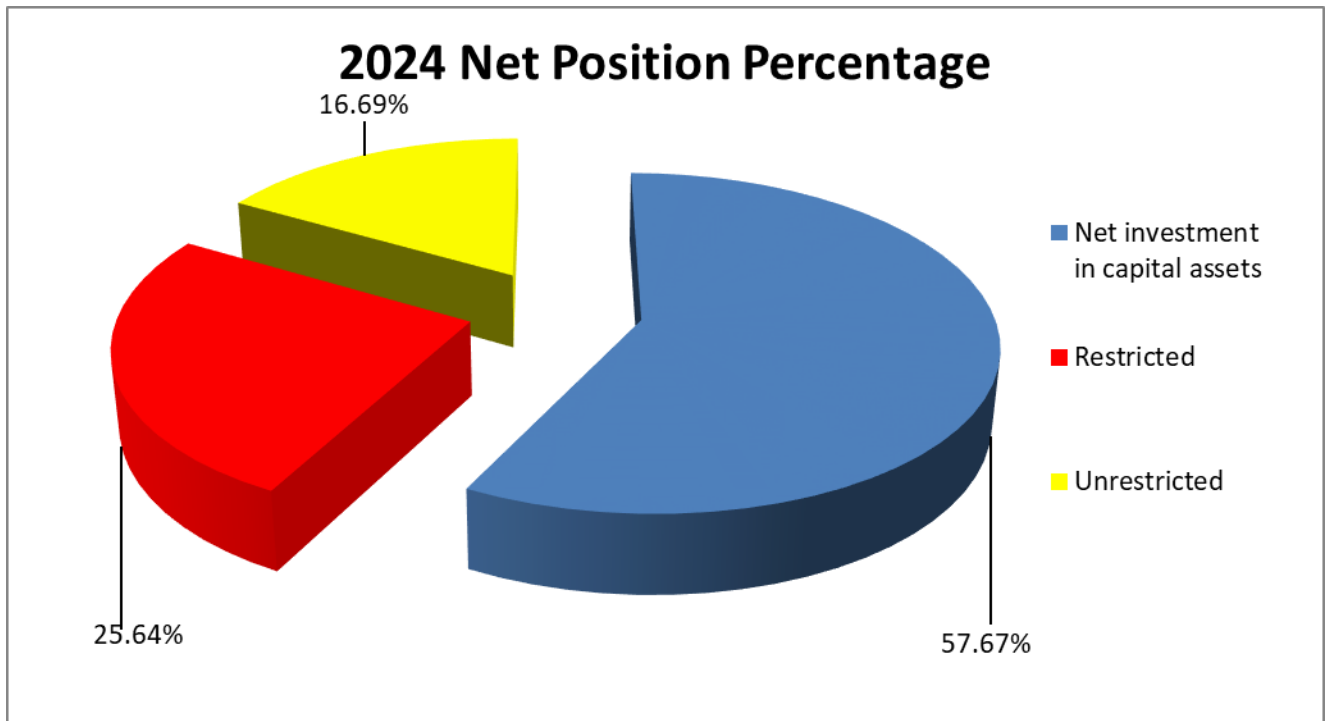
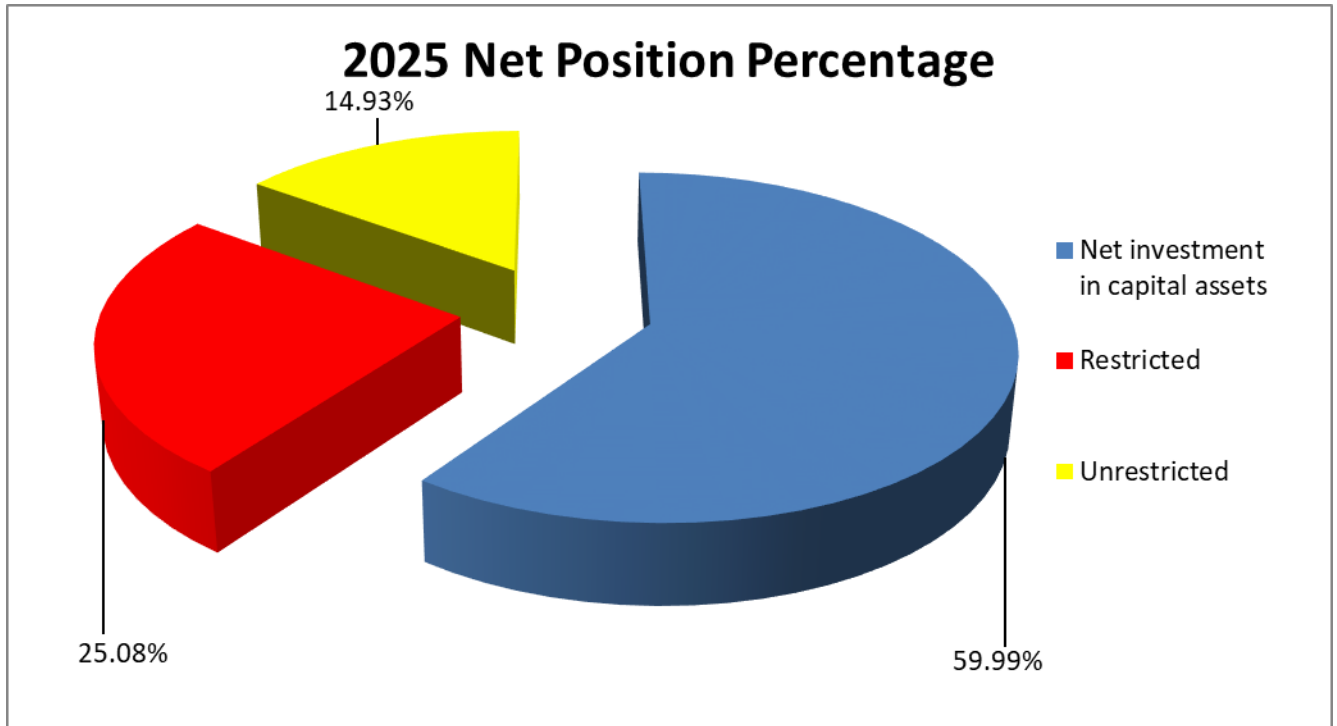
Management's Discussion and Analysis
For the Year Ended September 30, 2025

CITY'S NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	September 30,		September 30		September 30,	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 23,953,785	\$ 24,964,589	\$ 2,075,384	\$ 3,254,606	\$ 26,029,169	\$ 28,219,195
Capital assets	<u>29,144,879</u>	<u>29,116,612</u>	<u>15,444,109</u>	<u>16,091,924</u>	<u>44,588,988</u>	<u>45,208,536</u>
Total assets	<u>53,098,664</u>	<u>54,081,201</u>	<u>17,519,493</u>	<u>19,346,530</u>	<u>70,618,157</u>	<u>73,427,731</u>
Total deferred outflows of resources	<u>1,069,150</u>	<u>1,414,478</u>	<u>111,195</u>	<u>161,484</u>	<u>1,180,345</u>	<u>1,575,962</u>
Liabilities:						
Current and other liabilities	1,725,054	2,808,433	1,004,946	914,255	2,730,000	3,722,688
Long-term liabilities	<u>8,264,608</u>	<u>8,974,662</u>	<u>3,205,033</u>	<u>3,680,699</u>	<u>11,469,641</u>	<u>12,655,361</u>
Total liabilities	<u>9,989,662</u>	<u>11,783,095</u>	<u>4,209,979</u>	<u>4,594,954</u>	<u>14,199,641</u>	<u>16,378,049</u>
Total deferred inflows of resources	<u>398,281</u>	<u>216,212</u>	<u>103,418</u>	<u>203,645</u>	<u>501,699</u>	<u>419,857</u>
Net Position:						
Net investment in capital assets	21,972,794	21,079,619	12,282,663	12,489,996	34,255,457	33,569,615
Restricted	14,258,381	14,840,537	60,063	84,734	14,318,444	14,925,271
Unrestricted	<u>7,548,696</u>	<u>7,576,216</u>	<u>974,565</u>	<u>2,134,685</u>	<u>8,523,261</u>	<u>9,710,901</u>
Total net position	<u>\$ 43,779,871</u>	<u>\$ 43,496,372</u>	<u>\$ 13,317,291</u>	<u>\$ 14,709,415</u>	<u>\$ 57,097,162</u>	<u>\$ 58,205,787</u>

An additional portion of the City's net position of \$ 14,318,444 (25.08%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 8,523,261 (14.93%) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a decrease of \$ 606,827 in restricted net position and an increase of \$ 685,842 in net investment in capital assets. The decrease in restricted net position and the increase in net investment in capital assets, resulted from the new construction projects, payments of debt, and depreciation of capital assets.



CITY OF CLUTE, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2025*

Analysis of the City's Operations

Governmental Activities: During the current fiscal year, net position for governmental activities increased \$ 283,499 from the prior fiscal year for an ending balance of \$ 43,779,871.

Total revenues for governmental activities increased from the previous year by \$ 2,052,525 (13.18%).

Program revenues increased from the previous year by \$ 1,153,109. This was a result of an increase in charges for services.

General revenues increased from the previous year by \$ 899,416. This was a result of an increase in property taxes and sales tax.

Expenses increased during the current year, increasing from \$ 16.7 million in the prior year to \$ 17.3 million in the current year. The most significant increase was \$ 779,459 in general public safety.

Business-type Activities: During the current fiscal year, business activities decreased the City's net position by \$ 1,392,124 (9.46%) which mainly resulted from an increase in water and sewer operating expenses.

Total revenues decreased from the prior year by \$ 143,326 and total expenses increased from the prior year by \$ 383,785. Total revenues decreased by 2.26% due to the City's operating grants and contributions decreasing. Total expenses increased at a rate of about 5.33%. The major increases in 2025 expenses were water and sewer operating expenses.

The following table provides a summary of the City's operations for the years ended September 30, 2025 and 2024.

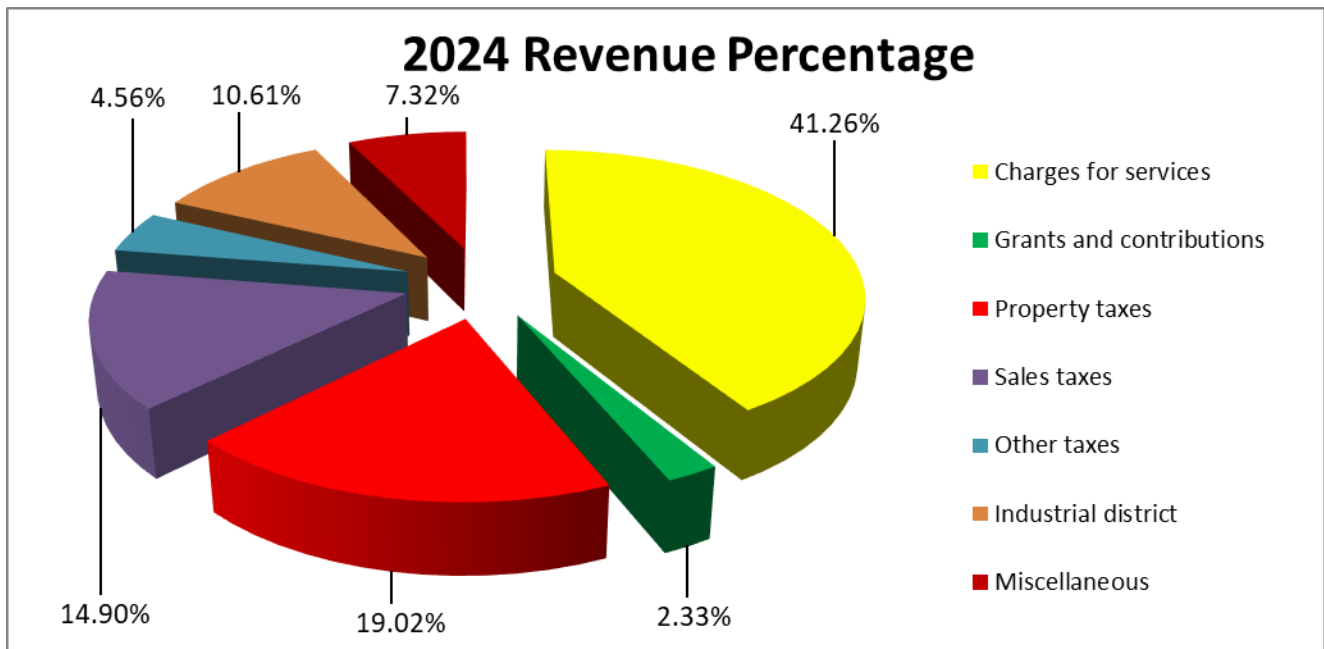
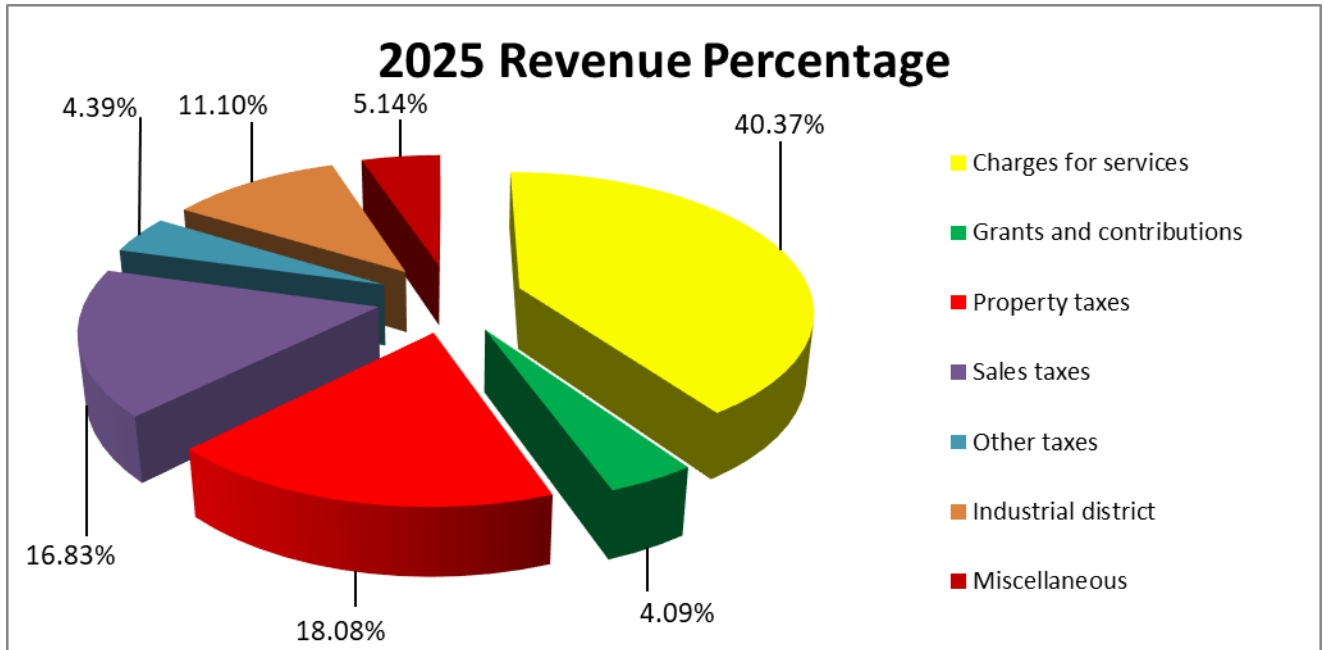
CITY OF CLUTE, TEXAS

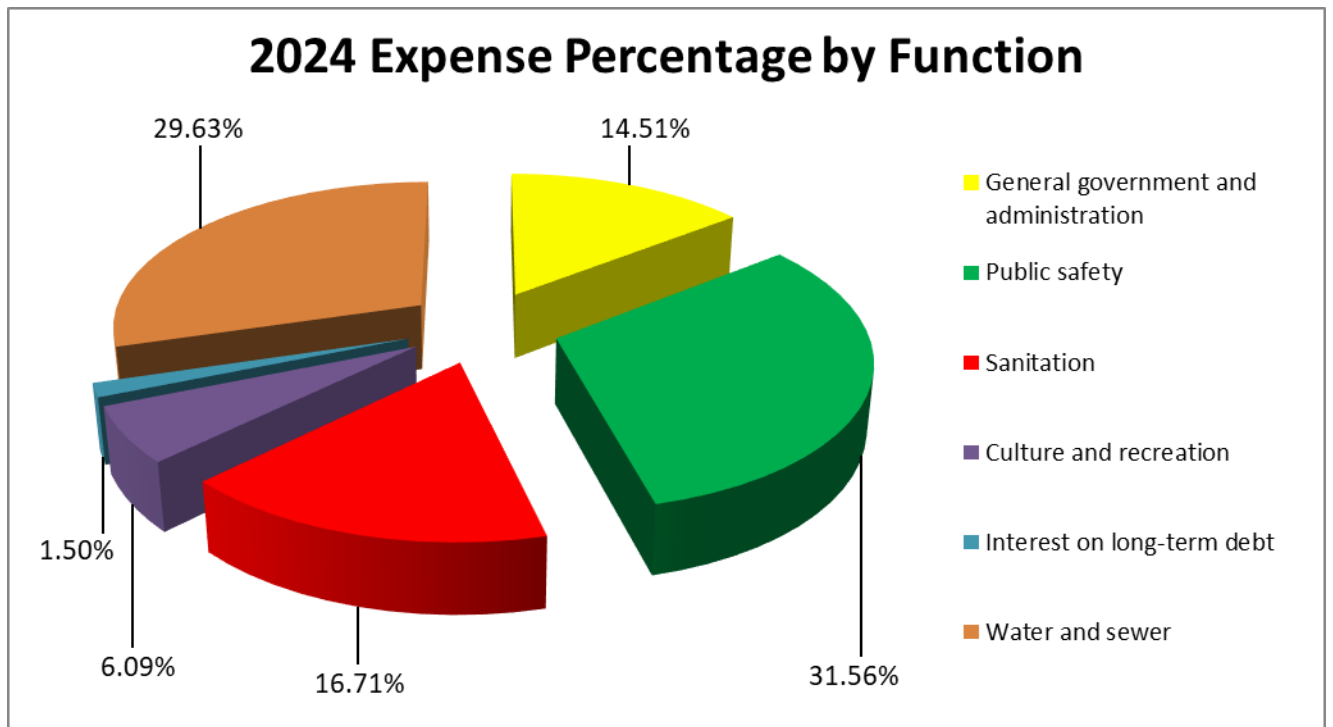
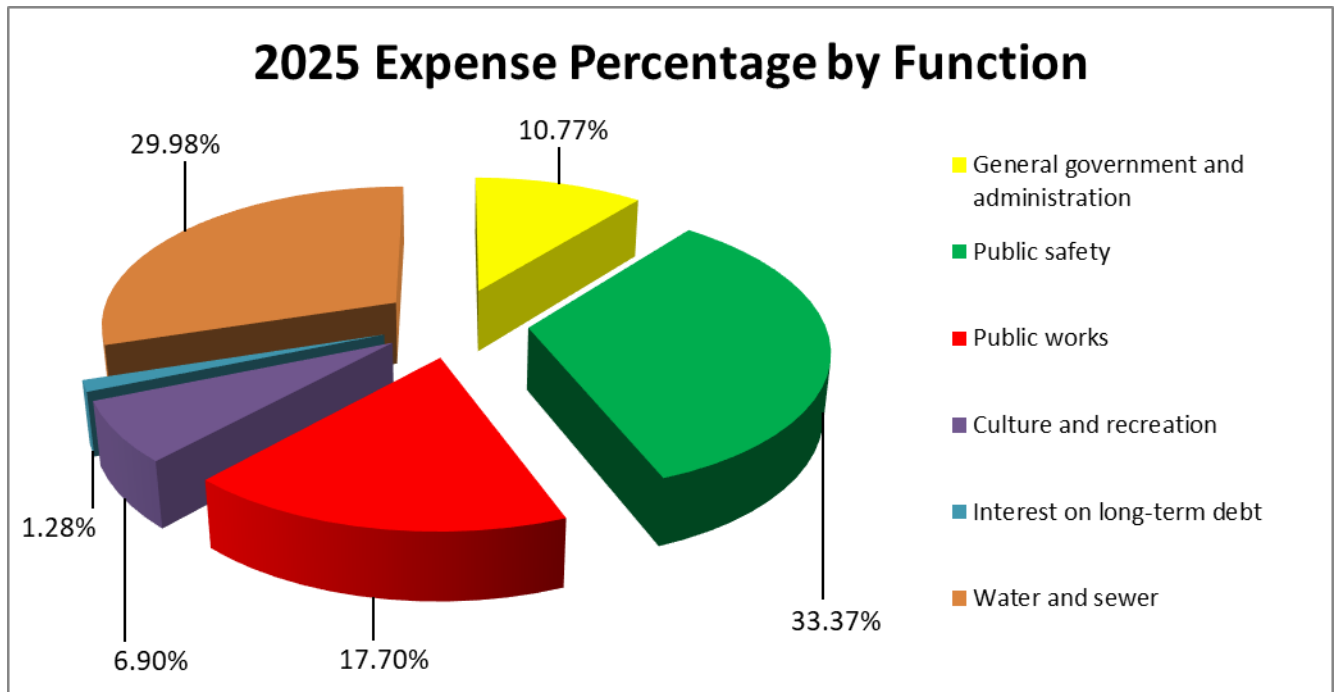
*Management's Discussion and Analysis
For the Year Ended September 30, 2025*

CITY'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	September 30,		September 30,		September 30,	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 3,861,928	\$ 3,395,809	\$ 5,749,861	\$ 5,643,609	\$ 9,611,789	\$ 9,039,418
Operating grants and contributions	387,402	10,870	276,466	500,176	663,868	511,046
Capital grants and contributions	310,458	-	-	-	310,458	-
General Revenues:						
Taxes:						
Property taxes	4,306,821	4,165,348	-	-	4,306,821	4,165,348
Sales tax	4,008,453	3,263,017	-	-	4,008,453	3,263,017
Other taxes	1,046,138	998,071	-	-	1,046,138	998,071
Industrial district	2,644,217	2,324,524	-	-	2,644,217	2,324,524
Investment earnings	873,757	1,262,859	162,729	188,331	1,036,486	1,451,190
Miscellaneous	185,446	151,597	929	1,195	186,375	152,792
Total revenues	<u>17,624,620</u>	<u>15,572,095</u>	<u>6,189,985</u>	<u>6,333,311</u>	<u>23,814,605</u>	<u>21,905,406</u>
Expenses:						
General government and administration	2,685,203	3,464,544	-	-	2,685,203	3,464,544
Public safety	8,317,048	7,537,589	-	-	8,317,048	7,537,589
Public works	4,410,980	3,991,055	-	-	4,410,980	3,991,055
Culture and recreation	1,719,632	1,453,880	-	-	1,719,632	1,453,880
Interest and fiscal charges	208,258	236,091	111,127	122,485	319,385	358,576
Water and sewer	-	-	7,470,982	7,075,839	7,470,982	7,075,839
Total expenses	<u>17,341,121</u>	<u>16,683,159</u>	<u>7,582,109</u>	<u>7,198,324</u>	<u>24,923,230</u>	<u>23,881,483</u>
Change in net position	283,499	(1,111,064)	(1,392,124)	(865,013)	(1,108,625)	(1,976,077)
Net position - beginning	<u>43,496,372</u>	<u>44,607,436</u>	<u>14,709,415</u>	<u>15,574,428</u>	<u>58,205,787</u>	<u>60,181,864</u>
Net position - ending	<u>\$ 43,779,871</u>	<u>\$ 43,496,372</u>	<u>\$ 13,317,291</u>	<u>\$ 14,709,415</u>	<u>\$ 57,097,162</u>	<u>\$ 58,205,787</u>

CITY OF CLUTE, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2025





CITY OF CLUTE, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2025*

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 20,930,354. The unassigned fund balance of \$ 3,605,250 constitutes 17.22% of ending fund balance. The remainder of the fund balance is categorized as 1) nonspendable (\$ 3,260,687), 2) restricted (\$ 13,475,911), and 3) assigned (\$ 588,506).

The General Fund fund balance increased by \$ 162,862; the Streets, Drainage, and Sidewalks fund balance decreased by \$ 119,924, the Economic Development Corporation fund balance decreased by \$ 539,433, and the nonmajor governmental funds increased by \$ 92,009.

Proprietary funds. As mentioned earlier, the City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The enterprise fund is used to account for its water and sewer operations. Net position at September 30, 2025 amounted to \$ 13,317,291. Total net position decreased by \$ 1,392,124 (approximately 9.46%).

General Fund Budgetary Highlights. The City did amend the budget for the year ended September 30, 2025. The City's actual revenues were more than budgeted revenues by \$ 1,131,831 mainly due to intergovernmental revenue, EMS revenues, and investment income; and the budgeted expenditures exceeded the actual expenditures by \$ 647,695 mainly due to less actual expenditures than were budgeted in general government and administration.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to \$ 44,588,988 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, furniture, equipment and vehicles, right to use leased assets, infrastructure, and construction in progress. Major capital asset events during the current fiscal year included the following:

- Purchase of multiple new vehicles
- Purchase of various equipment
- Water line replacement project
- Various streets projects

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2025

CITY OF CLUTE'S CAPITAL ASSETS Net of Accumulated Depreciation/Amortization

	Governmental Activities		Business-Type Activities		Totals	
	September 30,		September 30,		September 30,	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,089,208	\$ 1,089,208	\$ 7,562	\$ 7,562	\$ 1,096,770	\$ 1,096,770
Buildings and improvements	8,991,906	9,387,720	356,597	178,211	9,348,503	9,565,931
Furniture, equipment, and vehicles	4,393,792	4,459,955	1,261,097	841,684	5,654,889	5,301,639
Right to use leased assets	53,883	9,895	-	-	53,883	9,895
Infrastructure	13,219,761	13,453,793	13,818,853	15,064,467	27,038,614	28,518,260
Construction in progress	<u>1,396,329</u>	<u>716,041</u>	-	-	<u>1,396,329</u>	<u>716,041</u>
Total	<u>\$ 29,144,879</u>	<u>\$ 29,116,612</u>	<u>\$ 15,444,109</u>	<u>\$ 16,091,924</u>	<u>\$ 44,588,988</u>	<u>\$ 45,208,536</u>

Additional information on the City's capital assets can be found in Note 6 on pages 58 through 60 of this report.

Debt Administration

CITY OF CLUTE'S LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Totals	
	September 30,		September 30,		September 30,	
	2025	2024	2025	2024	2025	2024
Certificates of obligation bonds	\$ 6,720,000	\$ 7,595,000	\$ 3,145,000	\$ 3,585,000	\$ 9,865,000	\$ 11,180,000
Lease liability	54,307	10,289	-	-	54,307	10,289
Net pension liability	745,181	600,580	-	29,815	745,181	630,395
Total OPEB liability	245,710	247,214	22,769	22,963	268,479	270,177
Premium on bonds	397,778	431,704	34,720	40,672	432,498	472,376
Compensated absences	<u>101,632</u>	<u>89,875</u>	<u>2,544</u>	<u>2,249</u>	<u>104,176</u>	<u>92,124</u>
Total	<u>\$ 8,264,608</u>	<u>\$ 8,974,662</u>	<u>\$ 3,205,033</u>	<u>\$ 3,680,699</u>	<u>\$ 11,469,641</u>	<u>\$ 12,655,361</u>

At the end of the current fiscal year, the City had a total bonded debt payable of \$ 9,865,000. This amount is comprised of bonded debt backed by the full faith and credit of the City. \$ 795,000 of these bonds are intended to be retired with transfers from the water and sewer and economic development corporation funds. During the fiscal year, the City's total bonded debt decreased \$ 1,315,000 due to current debt payments. The underlying rating on all of such Bonds and other obligations payable from such source are "AA+" on the General Obligations and "AA" on the Revenue Bonds by S&P.

Additional information on the City of Clute's long-term debt can be found in Note 7 on pages 60 through 63 of this report.

CITY OF CLUTE, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2025*

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2025-2026, property tax valuations are \$ 949,355,230, with a tax rate of 0.471757 per \$ 100 in valuation.

Projected General Fund revenue for fiscal year 2025-2026 is budgeted at \$ 14,896,286, and budgeted expenditures are \$ 15,682,903.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, 108 E. Main Street, P.O. Box 997, Clute, Texas, 77531, or call (979) 265-2541.

BASIC FINANCIAL STATEMENTS

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CITY OF CLUTE, TEXAS

Exhibit 1

Statement of Net Position

September 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 15,662,130	\$ 944,042	\$ 16,606,172
Investments	1,911,807	1,554	1,913,361
Taxes receivable (net)	926,555	-	926,555
Accounts receivables (net)	1,221,937	311,066	1,533,003
Lease receivable	-	37,742	37,742
Accrued interest receivable	13,238	-	13,238
Interfund balances	250,000	(250,000)	-
Prepaid items	127,800	510,518	638,318
Long-term notes receivable	3,392,887	-	3,392,887
Restricted Assets:			
Cash and cash equivalents	-	491,962	491,962
Net pension asset	447,431	28,500	475,931
Capital Assets (Net of Accumulated Depreciation/Amortization):			
Land	1,089,208	7,562	1,096,770
Buildings and improvements	8,991,906	356,597	9,348,503
Furniture, equipment, and vehicles	4,393,792	1,261,097	5,654,889
Right to use leased assets	53,883	-	53,883
Infrastructure	13,219,761	13,818,853	27,038,614
Construction in progress	1,396,329	-	1,396,329
Total assets	<u>53,098,664</u>	<u>17,519,493</u>	<u>70,618,157</u>
Deferred Outflows of Resources:			
Deferred outflows of resources	<u>1,069,150</u>	<u>111,195</u>	<u>1,180,345</u>
Total deferred outflows of resources	<u>1,069,150</u>	<u>111,195</u>	<u>1,180,345</u>
Liabilities:			
Accounts payable	\$ 447,575	\$ 446,730	\$ 894,305
Accrued wages and benefits payable	379,678	49,072	428,750
Accrued interest payable	36,676	17,182	53,858
Unearned revenue	861,125	-	861,125
Liabilities payable from restricted assets	-	491,962	491,962
Noncurrent Liabilities:			
Due within one year	712,030	461,616	1,173,646
Due in more than one year:			
Bonds payable and other	6,561,687	2,720,648	9,282,335
Net pension liability	745,181	-	745,181
Total OPEB liability	<u>245,710</u>	<u>22,769</u>	<u>268,479</u>
Total liabilities	<u>9,989,662</u>	<u>4,209,979</u>	<u>14,199,641</u>
Deferred Inflows of Resources:			
Deferred inflows of resources	<u>398,281</u>	<u>103,418</u>	<u>501,699</u>
Total deferred inflows of resources	<u>398,281</u>	<u>103,418</u>	<u>501,699</u>
Net Position:			
Net investment in capital assets	21,972,794	12,282,663	34,255,457
Restricted For:			
Streets, drainage, and sidewalk	9,365,281	-	9,365,281
Economic development	3,739,402	-	3,739,402
Others	1,153,698	60,063	1,213,761
Unrestricted	<u>7,548,696</u>	<u>974,565</u>	<u>8,523,261</u>
Total net position	<u>\$ 43,779,871</u>	<u>\$ 13,317,291</u>	<u>\$ 57,097,162</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLUTE, TEXAS

Statement of Activities

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 2,685,203	\$ 72,553	\$ 268,022	\$ -
Public safety	8,317,048	1,551,256	119,380	-
Public works	4,410,980	1,946,265	-	310,458
Culture and recreation	1,719,632	291,854	-	-
Interest and fiscal charges	208,258	-	-	-
Total governmental activities	<u>17,341,121</u>	<u>3,861,928</u>	<u>387,402</u>	<u>310,458</u>
Business-Type Activities:				
Water and sewer	<u>7,582,109</u>	<u>5,749,861</u>	<u>276,466</u>	<u>-</u>
Total business-type activities	<u>7,582,109</u>	<u>5,749,861</u>	<u>276,466</u>	<u>-</u>
Total primary government	<u>\$ 24,923,230</u>	<u>\$ 9,611,789</u>	<u>\$ 663,868</u>	<u>\$ 310,458</u>
General Revenue:				
Property taxes				
Sales taxes				
Other taxes				
Industrial district				
Investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (2,344,628)	\$ -	\$ (2,344,628)
(6,646,412)	-	(6,646,412)
(2,154,257)	-	(2,154,257)
(1,427,778)	-	(1,427,778)
<u>(208,258)</u>	<u>-</u>	<u>(208,258)</u>
<u>(12,781,333)</u>	<u>-</u>	<u>(12,781,333)</u>
<u>-</u>	<u>(1,555,782)</u>	<u>(1,555,782)</u>
<u>-</u>	<u>(1,555,782)</u>	<u>(1,555,782)</u>
<u>(12,781,333)</u>	<u>(1,555,782)</u>	<u>(14,337,115)</u>
4,306,821	-	4,306,821
4,008,453	-	4,008,453
1,046,138	-	1,046,138
2,644,217	-	2,644,217
873,757	162,729	1,036,486
<u>185,446</u>	<u>929</u>	<u>186,375</u>
<u>13,064,832</u>	<u>163,658</u>	<u>13,228,490</u>
283,499	(1,392,124)	(1,108,625)
<u>43,496,372</u>	<u>14,709,415</u>	<u>58,205,787</u>
<u>\$ 43,779,871</u>	<u>\$ 13,317,291</u>	<u>\$ 57,097,162</u>

CITY OF CLUTE, TEXAS

*Balance Sheet - Governmental Funds
September 30, 2025*

Exhibit 3

	<u>Major Governmental Funds</u>				Total Governmental Funds
	General Fund	Streets, Drainage, and Sidewalks Fund	Economic Development Corporation Fund	Nonmajor Governmental Funds	
Assets:					
Cash and cash equivalents	\$ 4,395,533	\$ 8,308,931	\$ 1,339,358	\$ 1,618,308	\$ 15,662,130
Investments	1,101,686	280,645	529,476	-	1,911,807
Receivables (Net of Allowance for Uncollectibles):					
Property taxes	85,444	-	-	7,853	93,297
Other taxes	707,790	-	-	125,468	833,258
Accounts	423,311	-	-	-	423,311
Accrued interest	13,238	-	-	-	13,238
Due from other funds	284,641	792,399	52,999	-	1,130,039
Prepaid expenditures	127,800	-	-	-	127,800
Long-term notes receivable	<u>3,132,887</u>	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>3,392,887</u>
Total assets	<u>\$ 10,272,330</u>	<u>\$ 9,381,975</u>	<u>\$ 2,181,833</u>	<u>\$ 1,751,629</u>	<u>\$ 23,587,767</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ 424,474	\$ 16,694	\$ 325	\$ 6,082	\$ 447,575
Accrued wages and benefits payable	373,826	-	-	5,852	379,678
Due to other funds	845,398	-	-	34,641	880,039
Unearned revenue	<u>861,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>861,125</u>
Total liabilities	<u>2,504,823</u>	<u>16,694</u>	<u>325</u>	<u>46,575</u>	<u>2,568,417</u>
Deferred Inflows of Resources:					
Deferred inflows of resources	<u>81,508</u>	<u>-</u>	<u>-</u>	<u>7,488</u>	<u>88,996</u>
Total deferred inflows of resources	<u>81,508</u>	<u>-</u>	<u>-</u>	<u>7,488</u>	<u>88,996</u>
Fund Balances:					
Nonspendable	3,260,687	-	-	-	3,260,687
Restricted	194,026	9,365,281	2,181,508	1,735,096	13,475,911
Assigned	588,506	-	-	-	588,506
Unassigned	<u>3,642,780</u>	<u>-</u>	<u>-</u>	<u>(37,530)</u>	<u>3,605,250</u>
Total fund balances	<u>7,685,999</u>	<u>9,365,281</u>	<u>2,181,508</u>	<u>1,697,566</u>	<u>20,930,354</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,272,330</u>	<u>\$ 9,381,975</u>	<u>\$ 2,181,833</u>	<u>\$ 1,751,629</u>	<u>\$ 23,587,767</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLUTE, TEXAS

Exhibit 3R

*Reconciliation of the Governmental Funds Balance Sheet
to the Governmental Activities Statement of Net Position
September 30, 2025*

Total fund balances - total governmental funds balance sheet \$ 20,930,354

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consists of:

Capital assets	\$ 58,634,019	
Accumulated depreciation/amortization	<u>(29,489,140)</u>	29,144,879

Some receivables are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Property taxes	\$ 88,996	
Municipal court accounts	<u>798,626</u>	887,622

Some liabilities, including bonds payable, notes payable, lease liability, premium on the issuance of bonds, accrued compensated absences and accrued bond interest are not due and payable in the current period and, therefore, are not reported as a liability in the funds. Liabilities at year-end related to such items consist of:

General obligation bonds	\$ (6,720,000)	
Lease liability	(54,307)	
Premium on bonds	(397,778)	
Accrued compensated absences	(101,632)	
Accrued interest payable	<u>(36,676)</u>	(7,310,393)

The government-wide statement includes the City's proportionate share of TMRS and TESRS net pension liabilities, as well as pension related transactions accounted for as deferred inflows and outflows of resources. Liabilities at year-end related to such items consist of:

Net Pension Asset - TMRS	\$ 447,431	
Deferred Outflows of Resources - TMRS Pension	691,296	
Deferred Inflows of Resources - TMRS Pension	(327,069)	
Net Pension Liability - TESRS	(745,181)	
Deferred Outflows of Resources - TESRS Pension	<u>360,488</u>	426,965

The government-wide statement includes the City's proportionate share of TMRS total OPEB liabilities, as well as pension related transactions accounted for as deferred inflows and outflows of resources. Liabilities at year-end related to such items consist of:

Total OPEB liability	\$ (245,710)	
Deferred Outflows of Resources - TMRS OPEB	17,366	
Deferred Inflows of Resources - TMRS OPEB	<u>(71,212)</u>	<u>(299,556)</u>

Total Net Position - Governmental Activities \$ 43,779,871

The notes to the financial statements are an integral part of this statement.

CITY OF CLUTE, TEXAS

Exhibit 4

*Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For The Year Ended September 30, 2025*

	<u>Major Governmental Funds</u>				Total Governmental Funds
	General Fund	Streets, Drainage, and Sidewalks Fund	Economic Development Corporation Fund	Nonmajor Governmental Funds	
Revenues:					
Property taxes	\$ 3,989,341	\$ -	\$ -	\$ 361,292	\$ 4,350,633
Sales tax	1,664,145	1,041,915	1,302,393	-	4,008,453
Other taxes	540,620	-	-	505,518	1,046,138
Industrial district	2,644,217	-	-	-	2,644,217
Intergovernmental revenues	386,051	310,458	-	-	696,509
Revenue producing facilities	1,813,554	-	-	236,747	2,050,301
EMS revenues	1,097,446	-	-	-	1,097,446
Fines and fees	385,535	-	-	-	385,535
Licenses and fees	187,818	-	-	-	187,818
Investment income	496,116	277,862	65,943	33,836	873,757
Miscellaneous	187,719	-	-	696	188,415
Total revenues	<u>13,392,562</u>	<u>1,630,235</u>	<u>1,368,336</u>	<u>1,138,089</u>	<u>17,529,222</u>
Expenditures:					
Current:					
General government and administration	2,446,089	1,737	27,284	-	2,475,110
Public safety	7,174,136	-	-	-	7,174,136
Public works	3,029,039	340,929	-	-	3,369,968
Culture and recreation	833,437	-	-	632,292	1,465,729
Capital outlay	1,522,638	918,729	-	-	2,441,367
Debt service:					
Principal	272,583	-	-	615,000	887,583
Interest and fiscal charges	11,897	-	-	235,454	247,351
Total expenditures	<u>15,289,819</u>	<u>1,261,395</u>	<u>27,284</u>	<u>1,482,746</u>	<u>18,061,244</u>
Excess (deficiency) of revenues over expenditures	<u>(1,897,257)</u>	<u>368,840</u>	<u>1,341,052</u>	<u>(344,657)</u>	<u>(532,022)</u>
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	70,935	-	-	-	70,935
Proceeds from leases	56,601	-	-	-	56,601
Transfers in	1,932,583	-	-	538,681	2,471,264
Transfers out	-	(488,764)	(1,880,485)	(102,015)	(2,471,264)
Total other financing sources (uses)	<u>2,060,119</u>	<u>(488,764)</u>	<u>(1,880,485)</u>	<u>436,666</u>	<u>127,536</u>
Change in fund balances	162,862	(119,924)	(539,433)	92,009	(404,486)
Fund balances - beginning	<u>7,523,137</u>	<u>9,485,205</u>	<u>2,720,941</u>	<u>1,605,557</u>	<u>21,334,840</u>
Fund balances - ending	<u>\$ 7,685,999</u>	<u>\$ 9,365,281</u>	<u>\$ 2,181,508</u>	<u>\$ 1,697,566</u>	<u>\$ 20,930,354</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLUTE, TEXAS

Exhibit 4R

Reconciliation of the Statement Of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Governmental Activities Statement of Activities For The Year Ended September 30, 2025

Net change in fund balances - total governmental funds \$ (404,486)

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

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/amortization expense.

Capital outlay	\$ 2,441,367	
Loss on disposal of capital assets	(7,174)	
Depreciation/amortization expense	<u>(2,405,926)</u>	28,267

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect on premiums and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.

Bond principal payments	\$ 875,000	
Lease principal payments	12,583	
Proceeds from leases	(56,601)	
Change in accrued compensated absences	(11,757)	
Change in accrued interest payable	5,167	
Amortization of bond premium	<u>33,926</u>	858,318

The net change in net pension liability, deferred outflows and deferred inflows is reported in the statement of activities but does not require the use of current resources and, therefore, is not reported as expenditure in the governmental funds. The net change consists of the following:

Net pension liability/(asset) decreased	\$ 302,830	
Deferred outflows decreased	(330,348)	
Deferred inflows increased	<u>(194,527)</u>	(222,045)

The net change in total OPEB liability, deferred outflows and deferred inflows is reported in the statement of activities but does not require the use of current resources and, therefore, is not reported as expenditure in the governmental funds. The net change consists of the following:

Total OPEB liability decreased	\$ 1,504	
Deferred outflows increased	(14,980)	
Deferred inflows decreased	<u>12,458</u>	(1,018)

Because some property tax receivables will not be collected for several months after the City's fiscal year ends, they are not considered available revenues and are deferred inflows in the governmental funds. (43,812)

Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. 68,275

Change in net position of governmental activities (see Exhibit 2) \$ 283,499

The notes to the financial statements are an integral part of this statement.

CITY OF CLUTE, TEXAS

Statement of Net Position - Proprietary Fund
September 30, 2025

Exhibit 5
Page 1 of 2

	<u>Enterprise Fund</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 944,042
Investments	1,554
Receivables (Net of Allowance for Uncollectibles):	
Utility accounts	311,066
Lease	37,742
Prepaid items	510,518
Restricted cash and cash equivalents	<u>491,962</u>
Total current assets	<u>2,296,884</u>
Noncurrent Assets:	
Capital Assets:	
Capital assets	38,131,666
Accumulated depreciation	<u>(22,687,557)</u>
Total capital assets, net	15,444,109
Net pension asset	<u>28,500</u>
Total noncurrent assets	<u>15,472,609</u>
Total assets	<u>17,769,493</u>
Deferred Outflows of Resources:	
Deferred outflows of resources	<u>111,195</u>
Total deferred outflows of resources	<u>111,195</u>
	(continued)

CITY OF CLUTE, TEXAS*Statement of Net Position - Proprietary Fund - Continued*
*September 30, 2025*Exhibit 5
Page 2 of 2

	<u>Enterprise Fund</u>
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 446,730
Accrued wages and benefits payable	49,072
Accrued interest payable	17,182
Customer deposits	491,962
Due to other funds	250,000
Noncurrent liabilities due within one year	<u>461,616</u>
Total current liabilities	<u>1,716,562</u>
Non-current Liabilities:	
Due in more than one year	2,720,648
Total OPEB liability	<u>22,769</u>
Total noncurrent liabilities	<u>2,743,417</u>
Total liabilities	<u>4,459,979</u>
Deferred Inflows of Resources:	
Deferred inflows of resources	<u>103,418</u>
Total deferred inflows of resources	<u>103,418</u>
Net Position:	
Net investment in capital assets	12,282,663
Restricted For:	
Pension	60,063
Unrestricted	<u>974,565</u>
Total net position	<u>\$ 13,317,291</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLUTE, TEXAS

Exhibit 6

*Statement of Revenues, Expenses, and Changes in
Net Position - Proprietary Fund
For The Year Ended September 30, 2025*

	Enterprise Fund
Operating Revenues:	
Water service	\$ 2,862,335
Sewer service	2,611,953
Tapping and reconnection fees	69,941
Penalties	62,916
Intergovernmental	276,466
Lease income	142,716
Miscellaneous	<u>929</u>
Total operating revenues	<u>6,027,256</u>
Operating Expenses:	
Personnel services	1,178,460
Supplies and materials	59,233
Contractual services	3,721,226
Repairs and maintenance	896,522
Other expenses	206,115
Depreciation	<u>1,409,426</u>
Total operating expenses	<u>7,470,982</u>
Operating loss	<u>(1,443,726)</u>
Non-Operating Revenues (Expenses):	
Interest income	162,729
Interest expense	<u>(111,127)</u>
Total non-operating revenues (expenses)	<u>51,602</u>
Change in net position	(1,392,124)
Net position - beginning	<u>14,709,415</u>
Net position - ending	<u>\$ 13,317,291</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLUTE, TEXAS

Exhibit 7

*Statement of Cash Flows - Proprietary Fund
For The Year Ended September 30, 2025*

	Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 6,095,816
Payments to suppliers	(5,162,556)
Payments to and on behalf of employees	<u>(1,146,921)</u>
Net cash used by operating activities	<u>(213,661)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments on debt	(440,000)
Interest and fees paid under debt obligations	(113,728)
Purchases of capital assets	<u>(761,611)</u>
Net cash used by capital and related financing activities	<u>(1,315,339)</u>
Cash Flows from Investing Activities:	
Investment income	<u>163,763</u>
Net cash provided by investing activities	<u>163,763</u>
Change in cash and cash equivalents	(1,365,237)
Cash and cash equivalents - beginning	<u>2,801,241</u>
Cash and cash equivalents - ending	<u>\$ 1,436,004</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (1,443,726)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	1,409,426
(Increase) Decrease In:	
Utility accounts	55,605
Lease receivable, net of related deferred inflow	8,815
Prepaid items	(361,768)
Increase In:	
Accounts payable	82,308
Accrued wages and benefits payable	6,363
Accrued compensated absences	295
Customer deposits	4,140
Net pension liability, net of related deferred outflows/inflows	24,671
Total OPEB liability, net of related deferred outflows/inflows	<u>210</u>
Total adjustments	<u>1,230,065</u>
Net cash used by operating activities	<u>\$ (213,661)</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

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CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Clute, Texas (the "City") operates under a Home Rule Charter adopted in a special election on November 7, 1957. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public services, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The City (government) is a municipal corporation governed by an elected mayor and five-member Governing Council (Council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government. No discretely presented component units are reported in the City's financial statement.

Blended component unit - The Clute Economic Development Corporation, Inc.

In 1999, the City authorized the creation and approved the Articles of Incorporation and the Bylaws of the Clute Economic Development Corporation (the "Corporation"). The Articles of Incorporation were filed with the Office of the Secretary of State of Texas on December 20, 1999. The Corporation, a nonprofit corporation, organized under Section 4B of the development Corporation Act of 1979 was created to act on behalf of the City in the promotion and financing of projects so as to promote the public welfare. State law allows the City to collect sales tax to assist in the promoting and developing activities of the City. The Corporation has been included as a blended component unit in the City's financial statements. The City Council approves the budget of the Corporation and appoints the members of the Board of Directors of the Corporation.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Government-wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City has presented the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

The *Streets, Drainage, and Sidewalks Fund* accounts for forty percent of the sales taxes collected and approved expenditures related to the construction of new sewer, new sidewalks, new curbs and gutters, and the resurfacing of existing streets and new streets.

The *Economic Development Corporation Fund* accounts for the Economic Development sales taxes (one-third of all sales tax) and approved expenditures for providing parks and recreation facilities and infrastructure projects.

The City reports the following major proprietary fund:

The *Enterprise Fund* is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Government-wide and Fund Financial Statements

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Budgetary Data

In late August, each department of the City submits requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to members of the City Council for review. The City Council holds budget workshops in September and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level without approval of a majority of the Council. Line item and department budgets may exceed appropriated amounts at the discretion of management as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

The City adopts annual budgets for all significant governmental fund types (general fund and special revenue funds) and proprietary fund type (enterprise funds). The budget and all transactions are presented in GAAP basis in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General, Streets, Drainage, and Sidewalks, Economic Development Corporation, Hotel-Motel, Great Texas Mosquito Festival and Debt Service to provide a meaningful comparison of actual results with the budget.

Cash and Cash Equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the City's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

The State Treasurer's Investment Pool (Pool) is managed by the State, Office of the Treasurer, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in the Pool are valued at the Pool's share price, the price at which the investment could be sold.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Interfund Receivables, Payables, and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The City had no advances between funds. All activity between funds was for short-term cash flow requirements. See Note 5 for additional discussion of interfund receivables, payables and transfers.

Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are reported at acquisition value. Repairs and maintenance are recorded as expenses. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance -

Continued

Capital Assets - Continued

Assets capitalized have an original cost of \$ 5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	50 Years
Infrastructure	40-50 Years
Furniture, equipment, and vehicles	5-20 Years
Right to use leased assets	5 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension and OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the City reports deferred amounts related to leases and deferred amounts related to pension and OPEB.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures or expenses in the current period.

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

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance -

Continued

Pension Plans and OPEB Plan

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

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied. The following schedule presents details of net position balance components at September 30, 2025:

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance -

Continued

Net Position - Continued

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Net investment in capital assets	\$ 21,972,794	\$ 12,282,663	\$ 34,255,457
Restricted:			
Streets, drainage, and sidewalks	9,365,281	-	9,365,281
Economic development	3,739,402	-	3,739,402
Other:			
Debt services	148,014	-	148,014
Pension	811,658	60,063	871,721
Municipal court technology	141,820	-	141,820
Municipal court security	44,948	-	44,948
Other	7,258	-	7,258
Unrestricted	<u>7,548,696</u>	<u>974,565</u>	<u>8,523,261</u>
Total	<u>\$ 43,779,871</u>	<u>\$ 13,317,291</u>	<u>\$ 57,097,162</u>

Fund Balances and Budget Stabilization Arrangements

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- *Nonspendable* fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City's Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation.
- *Assigned* fund balance represents amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the city manager or the finance director to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance –

Continued

Fund Balances and Budget Stabilization Arrangements - Continued

- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The following schedule presents details of fund balance components at September 30, 2025.

	Major Funds			Nonmajor Govern- mental Funds	Total Govern- mental Funds
	General Fund	Streets, Drainage & Sidewalks Fund	Economic Development Corporation Fund		
Fund Balances:					
Nonspendable:					
Prepaid expenditures	\$ 127,800	\$ -	\$ -	\$ -	\$ 127,800
Long-term note receivable	3,132,887	-	-	-	3,132,887
Restricted:					
Streets, drainage, and sidewalks	-	9,365,281	-	-	9,365,281
Economic development	-	-	2,181,508	1,557,894	3,739,402
Debt service	-	-	-	177,202	177,202
Municipal court technology	141,820	-	-	-	141,820
Municipal court security	44,948	-	-	-	44,948
Other	7,258	-	-	-	7,258
Assigned:					
Capital improvement	447,429	-	-	-	447,429
Police operations	141,077	-	-	-	141,077
Unassigned	<u>3,642,780</u>	<u>-</u>	<u>-</u>	<u>(37,530)</u>	<u>3,605,250</u>
Total	<u>\$ 7,685,999</u>	<u>\$ 9,365,281</u>	<u>\$ 2,181,508</u>	<u>\$ 1,697,566</u>	<u>\$ 20,930,354</u>

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance -

Continued

Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and a right to use leased asset in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$ 5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for noncancellable leases of facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance -

Continued

Leases - Continued

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The assessed value of the property tax roll on August 1, 2024, upon which the levy for the 2024-25 fiscal year was based, was \$ 930,237,815. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2025, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.426354 and \$ 0.038646 per \$ 100 valuation, respectively, for a total of \$ 0.465000 per \$ 100 valuation.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenues and Expenditures/Expenses - Continued

Property Taxes - Continued

Current tax collections for the year ended September 30, 2025, were 98.49% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2025, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 85,444 and \$ 7,853 for the general and debt service funds, respectively.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

An employee will not be paid for accumulated sick days in the event of resignation or termination unless, the employee has worked 5 years at time of resignation, then 80 hours of sick leave will be paid if accumulated.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Encumbrances

The City does not employ a complete purchase order system for all expenditures and therefore does not utilize encumbrance accounting. Appropriations lapse at the end of the fiscal year.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB No. 101 "Compensated Absences" was issued in June 2022. The statement was implemented and did not have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 "Certain Risk Disclosures" was issued in December 2023. The statement was implemented and did not have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

GASB Statement No. 103 "Financial Reporting Model Improvements" was issued in April 2024. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104 "Disclosure of Certain Capital Assets" was issued in September 2024. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 105 "Subsequent Events" was issued in December 2025. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2026.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose a cash equivalent is one, that when purchased, had a maturity date of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of more than one year.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Cash and cash equivalents, as reported on the statement of net position at September 30, 2025 (totals memorandum only) are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash accounts)	\$ 2,693	\$ -	\$ 2,693
Financial institution deposits	708,910	491,962	1,200,872
Broker dealer deposits	214,284	-	214,284
Texpool	<u>15,680,285</u>	<u>-</u>	<u>15,680,285</u>
Total cash and temporary investments	<u>16,606,172</u>	<u>491,962</u>	<u>17,098,134</u>
Investments:			
Government securities:			
U.S. Treasuries	1,535,148	-	1,535,148
Asset backed securities	<u>378,213</u>	<u>-</u>	<u>378,213</u>
Total investments	<u>1,913,361</u>	<u>-</u>	<u>1,913,361</u>
Total	<u>\$ 18,519,533</u>	<u>\$ 491,962</u>	<u>\$ 19,011,495</u>

Deposits

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At September 30, 2025, in addition to petty cash of \$ 2,693, the carrying amount of the City's cash, savings, time deposits, and money markets was \$ 1,415,156. The financial institutions balances were \$ 1,616,534 at September 30, 2025. Bank balances of \$ 714,284 were covered by federal depository insurance and \$ 902,250 was covered by collateral pledged in the City's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent. The City maintains copies of all safekeeping receipts.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the City depository must have a bond or in lieu thereof, deposited or pledged securities with the City or an independent third party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance.

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it addresses the priorities of preservation of capital, liquidity, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Committee submits an investment report each quarter to the City Council. The report details the investment positions of the City and the compliance of the investment portfolio's as they relate to both the investment strategy and policy approved by City Council and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Fully insured or collateralized certificate of deposit of commercial banks;
2. U.S. Treasury Securities maturing in less than three (3) years;
3. Short-term obligations of U.S. Government Agencies which are guaranteed by the full faith and credit of the United States of America as to principle and interest;
4. Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency Securities in accordance with a master repurchase agreement approved by the Investment Committee;
5. Eligible investment pools authorized by the City Council;
6. Domestic securities that are obligations of, or guaranteed by, the U.S. Government or its agencies and are registered with the Securities and Exchange Commission and traded on a recognized U.S. securities exchange or over-the-counter-market;
7. Fixed income securities including domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies, securitized mortgages and collateralized mortgage obligations.
8. Other securities or obligations approved by the Investment Committee and authorized by the Local Government Code, Sections 2256.006 and 2256.016.

The City participates in one Local Government Investment Pools (LGIPs): Texpool. The State Comptroller of Public Accounts oversees Texpool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pool's operations under a contract with the Comptroller.

The City invests in Texpool to provide its liquidity needs. Texpool is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texpool is rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

At September 30, 2025 Texpool had a weighted average maturity of 41 days. Although Texpool portfolio had a weighted average maturity of 41 days, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City also invests in an asset management pool, UBS Global Asset Management (GAM), through UBS Financial Services, Inc. The pool invests conservatively in government securities. The government securities, which make up 100% of the City's investments with UBS, have a weighted average maturity of 2,030 days. Although the UBS portfolio had a weighted average maturity of 2,030 days, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

All of the City's investments are insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the City at September 30, 2025.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pool:		
Texpool	\$ 15,680,285	41
Government securities:		
U.S. securities	1,535,148	758
Asset back securities	<u>378,213</u>	7,191
Total	<u>\$ 17,593,646</u>	257

The value of City portions in LGIP is the same as the value of the Shares. The external pooled funds use amortized cost rather than fair value in their computation of share price, such funds have daily liquidity.

Credit Risk - As of September 30, 2025, the LGIPs (which represent approximately 89.12% of the City's portfolio) are rated AAAM by Standard and Poor's. Approximately 10.88% of the portfolio consists of direct obligations of the US government.

Interest rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy states that the City avoid over-concentration of assets in a specific maturity sector, limiting of average maturities of operating fund investments to one year, and avoiding over-concentrated assets in specific instruments other than U.S. Treasury Securities and insured or collateralized certificates of deposit.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Fair Value Measures

GASB No. 72, “Fair Value Measurement and Application” establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB No. 72 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the City’s assets at fair value as of September 30, 2025:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasuries	\$ 1,535,148	\$ -	\$ -	\$ 1,535,148
Asset back securities	<u>378,213</u>	<u>-</u>	<u>-</u>	<u>378,213</u>
Total	<u>\$ 1,913,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,913,361</u>

CITY OF CLUTE, TEXAS

*Notes to the Financial Statements
For the Year Ended September 30, 2025*

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Receivables as of September 30, 2025, for the government's individual governmental major funds, Governmental Activities, and Business-Type Activities/Enterprise fund including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<u>Governmental Funds</u>			
Receivables:			
Taxes:			
Property	\$ 163,584	\$ 14,412	\$ 177,996
Sales	675,300	-	675,300
Mixed beverage	6,123	-	6,123
Franchise	26,367	-	26,367
Hotel-Motel	-	125,468	125,468
Accounts	4,446,157	-	4,446,157
Accrued interest	<u>13,238</u>	<u>-</u>	<u>13,238</u>
 Gross receivables	 5,330,769	 139,880	 5,470,649
 Less Allowance for Uncollectibles:			
Property taxes	(78,140)	(6,559)	(84,699)
Accounts	<u>(4,022,846)</u>	<u>-</u>	<u>(4,022,846)</u>
 Net total receivables	 <u>\$ 1,229,783</u>	 <u>\$ 133,321</u>	 <u>\$ 1,363,104</u>
			<u>Total</u>
<u>Governmental Activities</u>			
Receivables:			
Taxes			\$ 1,011,254
Accounts			4,446,157
Municipal court			2,067,868
Accrued interest			<u>13,238</u>
 Gross receivables			 7,538,517
 Less Allowance for Uncollectibles:			
Taxes			(84,699)
Accounts			(4,022,846)
Municipal court			<u>(1,269,242)</u>
 Net receivables			 <u>\$ 2,161,730</u>

CITY OF CLUTE, TEXAS

*Notes to the Financial Statements
For the Year Ended September 30, 2025*

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS - Continued

	<u>Total</u>
<u>Business Type Activities/Enterprise Fund</u>	
Receivables:	
Accounts	\$ 548,036
Lease	37,742
Gross receivables	585,778
Less Allowance for Uncollectibles:	
Accounts	(236,970)
Net receivables	\$ 348,808

NOTE 4 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of September 30, 2025, the various components of inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Governmental Funds:		
Delinquent property taxes receivable (General Fund)	\$ 81,508	\$ -
Delinquent property taxes receivable (Debt Service Fund)	7,488	-
Advance Receipts:		
Federal grant	-	834,316
Seizures	-	26,809
Total	\$ 88,996	\$ 861,125

As of September 30, 2025, there were no unearned revenues reported in the proprietary funds.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 4 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE - Continued

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2025 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2025, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Unearned Revenue</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities:</u>			
TMRS pension deferred inflows and outflows of resources	\$ -	\$ 134,270	\$ 327,069
TMRS OPEB deferred inflows and outflows of resources	-	11,814	71,212
TESRS pension deferred inflows and outflows of resources	-	330,418	-
TMRS pension contributions subsequent to the measurement date	-	557,026	-
OPEB contributions subsequent to the measurement date	-	5,552	-
TESRS pension contributions subsequent to the measurement date	-	30,070	-
Advance receipts:			
Federal grant	834,316	-	-
Seizures	<u>26,809</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 861,125</u>	<u>\$ 1,069,150</u>	<u>\$ 398,281</u>
		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Business-Type Activities:</u>			
Deferred loss on refunding		\$ 18,273	\$ -
TMRS pension deferred inflows and outflows of resources		18,093	58,934
TMRS OPEB deferred inflows and outflows of resources		1,703	9,784
Pension contributions subsequent to the measurement date		72,404	-
OPEB contributions subsequent to the measurement date		722	-
Lease related		<u>-</u>	<u>34,700</u>
Total business-type activities		<u>\$ 111,195</u>	<u>\$ 103,418</u>

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2025 consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>09-30-25</u>
General Fund	Enterprise Fund	\$ 250,000
General Fund	Other Governmental Funds	34,641
Streets, Drainage, and Sidewalks Fund	General Fund	792,399
Economic Development Corporation Fund	General Fund	<u>52,999</u>
		<u>\$ 1,130,039</u>

Interfund transfers for the year ended September 30, 2025 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Streets, Drainage, and Sidewalks Fund	General Fund	\$ 317,219
Streets, Drainage, and Sidewalks Fund	Other Governmental Funds	171,545
Economic Development Fund	General Fund	1,563,349
Economic Development Fund	Other Governmental Funds	317,136
Other Governmental Funds	General Fund	52,015
Other Governmental Funds	Other Governmental Funds	<u>50,000</u>
		<u>\$ 2,471,264</u>

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2025 was as follows:

	<u>Balance</u>			<u>Adjustments</u>	<u>Balance</u>
	<u>10-01-24</u>	<u>Additions</u>	<u>Retirements</u>	<u>& Transfers</u>	<u>9-30-25</u>
Governmental Activities:					
Capital Assets, Not Depreciated/					
Amortized:					
Land	\$ 1,089,208	\$ -	\$ -	\$ -	\$ 1,089,208
Construction in progress	<u>716,041</u>	<u>680,288</u>	<u>-</u>	<u>-</u>	<u>1,396,329</u>
Total capital assets not being					
depreciated/amortized	<u>1,805,249</u>	<u>680,288</u>	<u>-</u>	<u>-</u>	<u>2,485,537</u>
Capital Assets, Being Depreciated/					
Amortized:					
Buildings	15,469,972	12,519	-	-	15,482,491
Furniture, equipment, and					
vehicles	15,846,338	1,203,572	(836,480)	-	16,213,430
Right to use leased assets	29,493	56,601	(21,087)	-	65,007
Infrastructure	<u>23,899,167</u>	<u>488,387</u>	<u>-</u>	<u>-</u>	<u>24,387,554</u>
Total capital assets being					
depreciated/amortized	<u>55,244,970</u>	<u>1,761,079</u>	<u>(857,567)</u>	<u>-</u>	<u>56,148,482</u>

(continued)

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10-01-24</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u> <u>& Transfers</u>	<u>Balance</u> <u>9-30-25</u>
Less Accumulated Depreciation/ Amortization For:					
Buildings	\$ 6,082,252	\$ 408,333	\$ -	\$ -	\$ 6,490,585
Furniture, equipment, and vehicles	11,386,383	1,262,561	(829,306)	-	11,819,638
Right to use leased assets	19,598	12,613	(21,087)	-	11,124
Infrastructure	<u>10,445,374</u>	<u>722,419</u>	<u>-</u>	<u>-</u>	<u>11,167,793</u>
Total accumulated depreciation/ amortization	<u>27,933,607</u>	<u>2,405,926</u>	<u>(850,393)</u>	<u>-</u>	<u>29,489,140</u>
Total capital assets being depreciated/amortized, net	<u>27,311,363</u>	<u>(644,847)</u>	<u>(7,174)</u>	<u>-</u>	<u>26,659,342</u>
Governmental activities capital assets, net	<u>\$29,116,612</u>	<u>\$ 35,441</u>	<u>\$ (7,174)</u>	<u>\$ -</u>	<u>\$29,144,879</u>
	<u>Balance</u> <u>10-01-24</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u> <u>& Transfers</u>	<u>Balance</u> <u>9-30-25</u>
Business-Type Activities: Capital Assets, Not Depreciated:					
Land	\$ 7,562	\$ -	\$ -	\$ -	\$ 7,562
Total capital assets not being depreciated	<u>7,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,562</u>
Capital Assets, Being Depreciated					
Buildings	591,169	195,505	-	-	786,674
Furniture, equipment, and vehicles	1,644,711	566,106	-	-	2,210,817
Infrastructure	<u>35,126,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,126,613</u>
Total capital assets being depreciated	<u>37,362,493</u>	<u>761,611</u>	<u>-</u>	<u>-</u>	<u>38,124,104</u>
Less Accumulated Depreciation For:					
Buildings	412,958	17,119	-	-	430,077
Furniture, equipment, and vehicles	803,027	146,693	-	-	949,720
Infrastructure	<u>20,062,146</u>	<u>1,245,614</u>	<u>-</u>	<u>-</u>	<u>21,307,760</u>
Total accumulated depreciation	<u>21,278,131</u>	<u>1,409,426</u>	<u>-</u>	<u>-</u>	<u>22,687,557</u>
Total capital assets being depreciated, net	<u>16,084,362</u>	<u>(647,815)</u>	<u>-</u>	<u>-</u>	<u>15,436,547</u>
Business-type activities capital assets, net	<u>\$16,091,924</u>	<u>\$ (647,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,444,109</u>

CITY OF CLUTE, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2025

NOTE 6 - CAPITAL ASSETS - Continued

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

Governmental Activities:

Administration	\$ 202,592
Public safety	923,964
Public works	1,028,772
Culture and recreation	<u>250,598</u>
Total depreciation expense-governmental activities	<u>\$ 2,405,926</u>

Business-Type Activities:

Water and sewer	<u>\$ 1,409,426</u>
Total depreciation expense-business-type activities	<u>\$ 1,409,426</u>

At September 30, 2025, the City had the following construction commitments:

Unexpended Construction Commitments

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Construction Commitments:			
Governmental Activities:			
Streets and drainage improvement	\$ <u>10,081,420</u>	\$ <u>904,110</u>	\$ <u>9,177,310</u>
Total	<u>\$ 10,081,420</u>	<u>\$ 904,110</u>	<u>\$ 9,177,310</u>

NOTE 7 - LONG-TERM DEBT

General Long-Term Debt

The certificates of obligation bonds payable at September 30, 2025 is summarized as follows:

<u>Purpose</u>	<u>Interest Rate (%)</u>	<u>Series Dates</u>			<u>Bonds Outstanding 09-30-25</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
Certificate of Obligation Bonds, Series 2013	1.000 - 4.000	2013	2033	2024	\$ 2,120,000
Certificate of Obligation Bonds, Series 2016	1.000 - 4.000	2016	2036	2036	690,000
Certificate of Obligation Bonds, Series 2018	3.000 - 4.000	2019	2033	2028	1,075,000
Certificate of Obligation Bonds, Series 2020	3.000	2020	2040	-	<u>2,835,000</u>
					<u>\$ 6,720,000</u>

CITY OF CLUTE, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2025

NOTE 7 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Certificate of obligation bond transactions for the year ended September 30, 2025 were as follows:

	<u>2025</u>
Bonds outstanding, October 1, 2024	\$ 7,595,000
Matured	<u>(875,000)</u>
Bonds outstanding, September 30, 2025	<u>\$ 6,720,000</u>

Aggregate maturities of certificate of obligation bonds for the years subsequent to September 30, 2025 are as follows:

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 640,000	\$ 212,779	\$ 852,779
2027	570,000	192,546	762,546
2028	590,000	173,516	763,516
2029	605,000	154,216	759,216
2030	630,000	134,609	764,609
2031-2035	2,530,000	360,060	2,890,060
2036-2040	<u>1,155,000</u>	<u>84,675</u>	<u>1,239,675</u>
	<u>\$ 6,720,000</u>	<u>\$ 1,312,401</u>	<u>\$ 8,032,401</u>

Since property taxes are not utilized for the payment of the Certificate of Obligation, Series 2005, the City is not required to maintain a Debt Service Fund for the Series 2005. The Economic Development Corporation (a special revenue fund) transferred funds in the amount of \$ 317,219 to the General Fund to assist in the payment of the principal, interest, and fees of the Certificate of Obligation, Series 2005.

Although the Certificate of Obligations, Series 2013 and 2020 bonds are not paid by property taxes, the City chose to account for the payment of these bond within a debt service fund. The Economic Development Corporation Fund and Street, Drainage, and Sidewalks Fund transferred funds in the amount of \$ 317,136 and \$ 171,545, respectively to the Debt Service Fund for the payment of the principal, interest, and fees of the Certificate of Obligation, Series 2013 and 2020.

Proprietary Fund Debt

The certificates of obligation bonds payable at September 30, 2025 is as follows:

<u>Purpose</u>	<u>Interest Rate (%)</u>	<u>Series Dates</u>			<u>Bonds Outstanding 09-30-25</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
Certificate of Obligation Bonds, Series 2013	1.000 - 4.000%	2013	2033	2024	\$ 2,350,000
Certificate of Obligation Bonds, Series 2017	4.000%	2017	2029	2034	<u>795,000</u>
					<u>\$ 3,145,000</u>

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 7 - LONG-TERM DEBT - Continued

Certificate of obligation bond transactions for the year ended September 30, 2025 were as follows:

	<u>2025</u>
Bonds outstanding, October 1, 2024	\$ 3,585,000
Matured	<u>(440,000)</u>
Bonds outstanding, September 30, 2025	<u>\$ 3,145,000</u>

Aggregate maturities of certificate of obligation bonds for the years subsequent to September 30, 2025 are as follows:

<u>Fiscal Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 455,000	\$ 100,793	\$ 555,793
2027	465,000	87,787	552,787
2028	480,000	74,383	554,383
2029	490,000	60,532	550,532
2030	295,000	48,578	343,578
2031-2033	<u>960,000</u>	<u>77,600</u>	<u>1,037,600</u>
	<u>\$ 3,145,000</u>	<u>\$ 449,673</u>	<u>\$ 3,594,673</u>

Changes in Long-Term Liabilities

Long-term liability for the governmental activities and the business-type activities for the year ended September 30, 2025:

	<u>Balance 10-01-24</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09-30-25</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 7,595,000	\$ -	\$ (875,000)	\$ 6,720,000	\$ 640,000
Lease liability	10,289	56,601	(12,583)	54,307	11,559
Premium on bonds	431,704	-	(33,926)	397,778	33,926
Net pension liability	600,580	3,427,922	(3,283,321)	745,181	-
Total OPEB liability	247,214	24,844	(26,348)	245,710	-
Compensated absences	<u>89,875</u>	<u>38,302</u>	<u>(26,545)</u>	<u>101,632</u>	<u>26,545</u>
Total governmental activities	<u>8,974,662</u>	<u>3,547,669</u>	<u>(4,257,723)</u>	<u>8,264,609</u>	<u>712,030</u>

(continued)

CITY OF CLUTE, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2025

NOTE 7 - LONG-TERM DEBT - Continued

	Balance 10-01-24	Additions	Reductions	Balance 09-30-25	Due Within One Year
Business-Type Activities:					
Revenue bonds	\$ 3,585,000	\$ -	\$ (440,000)	\$ 3,145,000	\$ 455,000
Premium on bonds	40,672	-	(5,952)	34,720	5,952
Net pension liability	29,815	393,543	(423,358)	-	-
Total OPEB liability	22,963	3,270	(3,464)	22,769	-
Compensated absences	2,249	959	(664)	2,544	664
Total business-type activities	<u>3,680,699</u>	<u>397,772</u>	<u>(873,438)</u>	<u>3,205,033</u>	<u>461,616</u>
Total primary government	<u>\$ 12,655,361</u>	<u>\$ 3,945,441</u>	<u>\$ (5,131,161)</u>	<u>\$ 11,469,641</u>	<u>\$ 1,173,646</u>

NOTE 8 - LEASES

Lease receivable

On February 26, 2010, the City entered into an inter-local waste water transmission line lease agreement with the City of Richwood. The lease is for sixteen years and requires quarterly payments with varying amounts. The City recognized \$ 138,799 in lease revenue and \$ 3,917 in interest revenue during the current fiscal year related to this lease. As of September 30, 2025, lease receivable was \$ 37,742. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was \$ 34,700.

Lease receipts through the expiration of all leases as of September 30, 2025 are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	\$ <u>37,742</u>	\$ <u>283</u>	\$ <u>38,025</u>
Totals	\$ <u>37,742</u>	\$ <u>283</u>	\$ <u>38,025</u>

Lease payable

On May 1, 2025, the City entered a five year lease agreement for the lease of copiers. Based on this agreement, the City is required to make quarterly payments of \$ 3,435. There are no renewal options included in this lease agreement and the City will not purchase the copies at the end of the lease term. An initial lease liability was recorded in the amount of \$ 56,601 using 8.50% discount rate during the current fiscal year. As of September 30, 2025, the value of the lease liability was \$ 51,221 and the value of the right to use leased asset was \$ 56,601 and had accumulated amortization of \$ 5,660.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 8 - LEASES - Continued

On April 8, 2022, the City entered a five year lease agreement for the lease of a postage machine. Based on this agreement, the City is required to make quarterly payments of \$ 454. There are no renewal options included in this lease agreement and the City will not purchase the postage machine at the end of the lease term. An initial lease liability was recorded in the amount of \$ 8,406 using 3.00% discount rate during the current fiscal year. As of September 30, 2025, the value of the lease liability was \$ 3,086 and the value of the right to use leased asset was \$ 8,406 and had accumulated amortization of \$ 5,464.

The future principal and interest lease payments as of September 30, 2025, were as follows:

<u>Fiscal Year Ending 9/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 11,559	\$ 3,998	\$ 15,557
2027	11,992	3,110	15,102
2028	11,555	2,185	13,740
2029	12,538	1,202	13,740
2030	<u>6,663</u>	<u>207</u>	<u>6,870</u>
Totals	<u>\$ 54,307</u>	<u>\$ 10,702</u>	<u>\$ 65,009</u>

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City participates as one of 938 plans in the defined benefit cash-balance 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 Texas Government Code, Title 8, Subtitle G (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 does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

B. 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 based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. 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 contributions and interest.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. If a vested member leaves city employment before reaching retirement eligibility, they can leave their contributions with TMRS, receive interest on their contributions, and when they reach the City's retirement eligibility, receive a lifetime monthly retirement benefit. A summary of plan provisions for the City is as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 Years
Updated service credit	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Retroactive Repeating
Supplemental death benefit - active employees and retirees	Yes

Employees covered by benefit terms.

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	80
Inactive employees entitled to but not yet receiving benefits	102
Active employees	<u>98</u>
Total	280

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios 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 were required to contribute 7.00% of their annual compensation during the fiscal year. The contribution rates for the City were 12.04% and 10.42% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$ 833,367, and were equal to the required contributions.

D. Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 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 Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.50% and 3.00% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is 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.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	35%	7.10%
Core Fixed Income	6%	5.00%
Non-Core Fixed Income	6%	6.80%
Hedge Funds	5%	6.40%
Private Equity	13%	8.50%
Private Debt	13%	8.20%
Real Estate	12%	6.70%
Infrastructure	6%	6.00%
Other Private Markets	4%	7.30%
Total	100%	

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 12/31/2023	\$ 28,829,049	\$ 28,544,951	\$ 284,098
Changes for the Year:			
Service cost	1,283,715	-	1,283,715
Interest	1,940,502	-	1,940,502
Difference between expected and actual experience	143,092	-	143,092
Change in assumptions	-	-	-
Contributions - employer	-	710,749	(710,749)
Contributions - employee	-	477,471	(477,471)
Net investment income	-	2,958,585	(2,958,585)
Benefit payment, including refunds of employee contributions	(1,445,453)	(1,445,453)	-
Administrative expense	-	(19,022)	19,022
Other changes	-	(445)	445
Net changes	<u>1,921,856</u>	<u>2,681,885</u>	<u>(760,029)</u>
Balance at 12/31/2024	<u>\$ 30,750,905</u>	<u>\$ 31,226,836</u>	<u>\$ (475,931)</u>

Sensitivity of the Net Pension Asset to changes in the discount rate:

The following presents the Net Pension Liability/(Asset) of the City, calculated using the discount rate of 6.75%, as well as what's the City's Net Pension Liability/(Asset) 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/(Asset)	<u>\$ 3,893,956</u>	<u>\$ (475,931)</u>	<u>\$ (4,026,868)</u>

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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 trms.com.

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

For the year ended September 30, 2025, the City recognized pension expense of \$ 897,887.

At September 30, 2025, 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 experience	\$ 152,363	\$ -
Changes in assumptions	-	73,247
Net difference between projected and actual earnings	-	312,756
Contributions subsequent to the measurement date	<u>629,430</u>	<u>-</u>
 Total	 <u>\$ 781,793</u>	 <u>\$ 386,003</u>

\$ 629,430 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2026	\$ 50,946
2027	375,557
2028	(453,783)
2029	(206,360)

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.texas.gov.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2024, there were 244 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

B. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

C. Funding Policy

Contributions are made by governing bodies for the participating department. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

According to state law governing the System, the state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2024 actuarial valuation, even the maximum 15% Part Two contributions are not enough to have an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to 15 years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

D. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. The City is not an employer of the members under the TESRS Plan. However, the City makes contributions directly to the TESRS Plan for members of the participating fire or emergency services departments in the City. For the year ending September 30, 2025, the amount of the City's contributions recognized by the plan was \$ 30,070.

E. Net Pension Liability

The System's net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024. The City's proportionate share of net pension liability was \$ 346,297.

Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.60%) and by adding expected inflation (2.75%). In addition, the final 7.25% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large cap domestic	20%	5.71%
Small cap domestic	10	5.98
Development international	15	6.19
Emerging markets	5	7.38
Global infrastructure	5	6.63
Real Estate	10	4.50
Multi asset income	5	3.75
Fixed Income	30	1.97
Cash	0	0.00
Total	100%	
Weighted average		4.60%

Discount Rate

The discount rate used to measure the total pension liability was 5.38%. The projection of cash flows used to determine the discount rate assumed that contributions of the governing bodies will be made at the contribution rate as of August 31, 2024 and that state contributions will be made as assumed in the August 31, 2024 actuarial valuation. Based on those assumptions, the System’s fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2051. Therefore, the discount rate of 5.38% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2051 discounting at the long-term expected rate of return of 7.25% and (b) the present value of benefits after 2051 discounting at the 3.87% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturing at/near August 31, 2024.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

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 5.38%, in comparison to what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.38%) or 1 percentage point higher (6.38%) than the current rate:

	1% Decrease In Discount Rate <u>(4.38%)</u>	Current Discount Rate <u>(5.38%)</u>	1% Increase In Discount Rate <u>(6.38%)</u>
City’s Net Pension Liability	\$ 1,028,422	\$ 745,181	\$ 521,585

F. Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended September 30, 2025, the City recognized pension expense of \$ 245,965.

At September 30, 2025, 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 experience	\$ 24,953	\$ -
Differences in assumption changes	265,449	-
Net differences between projected and actual earnings	40,016	-
Contributions subsequent to the measurement date	<u>30,070</u>	<u>-</u>
Total	\$ <u>360,488</u>	\$ <u>-</u>

\$ 30,070 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2026	\$ 196,203
2027	146,196
2028	(4,456)
2029	(7,525)

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLAN

A. Plan Description

The City participates in the defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$ 7,500; this coverage is an OPEB. 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).

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each City. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that services as the basis for the employer contribution rate and the calendar year available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The retiree portion of contribution rates for the SDBF for the City was 0.11% in calendar year 2024 and 0.12% in calendar year 2025. The City's contributions to the SDBF for the year ending September 30, 2025 were \$ 8,427, which were equal to the required contributions.

B. Total OPEB Liability

The City's total OPEB liability of \$ 268,479 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>98</u>
Total plan members	159

CITY OF CLUTE, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2025

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLAN - Continued

Actuarial Methods and Assumptions

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08%
Retirees' share of benefit-related costs	\$ 0
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 3.50% and 3.00% 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 the most recent scale MP-2021 (with immediate convergence) 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, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability (a)</u>
Balance at 12/31/2023	\$ 270,177
Changes for the Year:	
Service cost	17,735
Interest on total OPEB liability	10,379
Difference between expected and actual experience	(8,180)
Changes in assumption or other inputs	(14,129)
Benefit payments	<u>(7,503)</u>
Net changes	<u>(1,698)</u>
Balance at 12/31/2024	<u>\$ 268,479</u>

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLAN - Continued

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what's the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease In Discount Rate <u>(3.08%)</u>	Discount Rate <u>(4.08%)</u>	1% Increase In Discount Rate <u>(5.08%)</u>
City's Total OPEB Liability	\$ <u>318,317</u>	\$ <u>268,479</u>	\$ <u>229,556</u>

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$ 9,655.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 17,041
Changes in assumptions and other inputs	13,517	63,955
Contributions subsequent to the measurement date	<u>6,274</u>	<u>-</u>
Total	<u>\$ 19,791</u>	<u>\$ 80,996</u>

\$ 6,274 reported as deferred outflows of resources related to OPEB relating from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	
2026	\$ (27,811)
2027	(29,267)
2028	(5,846)
2029	(3,871)
2030	(684)

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 12 - INDUSTRIAL DISTRICT CONTRACT

The City of Clute in conjunction with the Cities of Lake Jackson and Freeport has entered into a contract with the Dow Chemical Company, BASF Corporation, and the Brock interests. The Cities gave consideration in the two following forms:

1. The Cities have agreed to refrain from initiating proceedings for the annexation of all or part of land described and outlined in the contract as Industrial Districts.
2. Respective codes, ordinances and laws of the Cities pertaining to building or construction, zoning, electrical, plumbing, health and safety regulations, air and water quality regulations and supervision; will not be applicable to the Districts.

The two corporations have in turn given consideration to the Cities in the following two forms:

1. Each City is to receive a specified sum of money on an annual basis over the terms of the contract.
2. The Cities will not be expected to provide within the Districts the ordinary municipal services such as water, sewage disposal, drainage, police and fire protection except in the event of an emergency.

During the year ended September 30, 2011, a new industrial district contract was negotiated. The term of this contract is for fifteen (15) years from December 31, 2011, through December 1, 2026. Contract payments are payable in semi-annual installments each June 30 and December 31. The amount of the payments are to be calculated each year based upon the higher percentage growth of the most recent annual Consumer Price Index or a value based formula (Brazosport Industrial District assessed value less abatements granted by Brazoria County/\$ 100 x \$ 0.55 @ 50% or 27.5 cents). Total industrial district revenues received during the year ended September 30, 2025 amounted to \$ 2,644,217.

NOTE 13 - JOINT VENTURE

The City was involved in a joint venture with the City of Richwood for the construction of a sewer plant which provides service to both cities. The joint venture was substantially completed and placed in service as of September 30, 1987. This project was funded by a federal EPA construction grant for waste treatment plant in which the federal portion of qualifying expenditures was 75 percent and the cities portion was 25 percent. The City's portion of the 25 percent of qualifying expenditures and all non-qualifying expenditures was 75 percent. The City of Richwood was responsible for the remaining 25 percent.

In addition, the City is party to an agreement with the City of Richwood to share costs associated with the operation of the sewer treatment plant. The percentage for sharing the operating expenses (excludes capital outlay) is determined based upon metered flow. For the year ended September 30, 2025 the City of Richwood's portion of these expenses was determined to be 18.22 percent, which amounted to \$ 222,348.

Further, the City of Richwood shares in 25 percent of maintenance costs (including capital acquisitions), which amounted to \$ 54,267 for the year ended September 30, 2025. The City maintains both budgetary and accounting responsibility over these expenses and disbursements and, therefore, has reported intergovernmental revenue, from the City of Richwood, in the amount of \$ 276,466 within the Enterprise Fund for the year ended September 30, 2025.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 13 - JOINT VENTURE - Continued

During the year ended September 30, 2003, the City began a joint venture with the City of Freeport, City of Lake Jackson, and the SPCA for an animal shelter. The shelter is located in Lake Jackson and provides programs for the claiming and adoption of lost or abandoned animals for the three cities. The City and Freeport contributed \$ 150,000 each and the SPCA contributed \$ 250,000 for a total of \$ 550,000 to Lake Jackson for the design, construction, and furnishing of the \$ 1,100,000 facility. The term of the agreement is from March 1, 2003 through February 28, 2023. During the year ended September 30, 2025, the City paid \$ 101,930 to the shelter for their portion to cover the administrative operating expenses.

NOTE 14 - CONTINGENT LIABILITIES

The City is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the City at September 30, 2025.

NOTE 15 - CHAPTER 380 PERFORMANCE AGREEMENTS

The City has established a program in accordance with Article 3, Section 52-a of the Texas Constitution, and Chapter 380 of the Texas Local Government Code (hereafter "Chapter 380"); under which the City has elected its authority to use public funds for the public purposes of promoting local economic development and stimulating business and commercial activity within the City. Further, the City recognizes the positive economic impact the Projects will bring to the City through timely development and diversification of the economy, elimination of unemployment and underemployment through the production of new jobs, the attraction of new businesses and the additional ad valorem taxes, sales and use taxes, and utility revenues generated by the Projects for the City.

Section 10.17 of the Home Rule Charter of the City requires that at least forty (40%) percent of all monies, funds and revenues derived from and as a result of the local sales and use tax shall be used and expended by the City for the construction of new storm sewers, new sidewalks, new curbs and gutters, and for the construction of new streets in conformance with the ordinances of the City, excluding the cost of routine maintenance and the purchase of equipment. In addition, Section 14.02 of the Home Rule Charter of the City authorizes the City Council thereof to cooperate in every manner with persons interested in the development of property within or beyond its corporate limits, but makes such cooperation permissive and limits it to extension of utilities or services to a privately owned subdivision, and Subsection (b), Item (3) of Section 98-38 of the Code of Ordinances of the City allows the City to finance street improvements by the Real Estate Lien note of the owner of abutting property which is secured by a voluntary contract lien.

The City, in consideration of the design, timely construction and development of the Projects, which will bring additional sales tax and ad valorem tax revenues to the City, and additional jobs resulting from the construction of the Projects, the City desires to enter into these Agreements pursuant to Chapter 380 and other applicable laws for the development of municipal infrastructure as an economic incentive for the Developer to develop and construct the Projects.

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 15 - CHAPTER 380 PERFORMANCE AGREEMENTS - Continued

Commercial/Retail Property Development

On July 9, 2020 (Effective Date), the City entered into a Chapter 380 Performance Agreement (the "Agreement") with 60 Planation, LLC a Texas Limited Liability Company (the "Owner") as follows:

- The Owner owns certain parcel of land containing an approximate 83,296 square feet retail primary building and approximately 15,845 square feet of additional space for other retail stores within the City (the "Property") used for the purposes of developing a commercial/retail development; and,
- The Owner has agreed to renovate for retail development the exterior of the primary 83,296 square feet building and finish out of approximately 32,619 square feet of the interior of the primary building for retail space within the Property (the "Project").
- The City shall pay to the Owner an economic development grant pursuant to Chapter 380 of the Texas Local Governmental Code to reimburse qualified reimbursement expenses in the amount not to exceed the sum of \$ 871,230 in the form of five annual payments made from Annual Sales Taxes Collected at the Project. The total paid to Owner is specifically limited to the Sales Tax Rebate collected for the five year period following the public opening of Ollie's Bargain Outlet.

As of September 30, 2025, no payment was made for this agreement.

Woodshore Development

On February 28, 2013 (Effective Date), the City entered into a Chapter 380 Performance Agreement (the "Agreement") with DHK Clute, LLC a Texas Limited Liability Company (the "Developer") as follows:

- The Developer owns certain tracts of land within the corporate limits of the City, and has proposed a new mixed-use planned community development containing approximately two hundred and five (205) acres (the "Property") to be constructed by the Developer, including public improvements to be constructed by the City, and consisting of approximately two hundred seventy-seven (277) home sites, thirty-seven (37) townhome sites, and 15.8 acres of commercial acreage (the "Project"), and the Project start date shall be no later than July 31, 2013 and the Project Completion date shall be no later than December 31, 2025; and,
- The Developer has obtained the rights to purchase the remaining property within the Project on or before May 20, 2015; and,
- The Developer will develop the Property in six platted residential Sections and additional platted commercial Sections, and has agreed to dedicate in the final plat, all right-of-ways and easements to be used for the construction of certain public works and improvements by the City and including public streets and alleys, public access easements, drainage systems, water, wastewater, and storm drain systems, detention ponds, and other public facilities which must be developed to serve the Project, a portion of which will be reimbursed by the Developer to the City; and,
- The City's participation in the development will be defined on a section by section basis, which will limit the City's liability to funding the qualified public improvements; and,

CITY OF CLUTE, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2025

NOTE 15 - CHAPTER 380 PERFORMANCE AGREEMENTS – Continued

Woodshore Development - Continued

- The qualified public improvements shall be constructed by the City with total funding of improvements not to exceed seven million five hundred sixty-five thousand one hundred and sixty-three dollars (\$ 7,565,163), and within easements or dedicated rights of way to which Lender has subordinated the liens. In addition, at no time will the City's total net contribution for the improvements for the Project exceed four million two hundred thirty seven thousand two hundred eighty-five dollars (\$ 4,237,285). Further, the City agrees to fund one million eight hundred thousand dollars (\$ 1,800,000) of qualified public improvements cost (total net contribution), and,
- The Developer shall reimburse the City up to five million seven hundred sixty-five thousand one hundred sixty-three dollars (\$ 5,765,163) for costs associated with the City's qualified public improvements. The Developer shall reimburse when residential lots are sold (1% of the sales price for payment of closing costs, 10% of sales price will be retained for payment of Developer costs, and, 89% of sales price (remaining funds) 90% to lender and 10% of remaining funds plus any amount not due to the lender will be paid to the City) and when commercial land is sold (7% of the sales price for payment of closing costs, 10% of sales price will be retained for payment of Developer costs, and, 83% of sales price (remaining funds) 95% to lender and 5% of remaining funds plus any amount not due to the lender will be paid to the City), however any of the principal not so repaid shall be due and payable in full in four years (1,460 days) after the completion of the qualified public improvements.

During the year ended September 30, 2013, the City adopted a resolution to advance up to \$ 4,237,285 (\$ 1,500,000 from the Streets, Drainage and Sidewalk Special Revenue Fund, \$ 500,000 from the Water and Sewer Enterprise Fund, \$ 2,000,000 from the General Fund (Equipment Replacement Sub-Fund), and \$ 237,285 from the General Fund (Operating Sub-Fund) to the Chapter 380 Fund Capital Project Fund for purposes of funding the Project).

During the year ended September 30, 2014, the City funded the \$ 1,800,000 of qualified public improvement costs. As of September 30, 2024, the City advanced a total of \$ 5,088,331 for qualified public improvements, a total of \$ 1,955,444 has been received from the developer from the sale of lots, As of September 30, 2025, there is a note receivable balance of \$ 3,132,887.

College Park Estates Section 8 Development

On October 21, 2021 (Effective Date), the Clute Economic Development Corporation (the "EDC") entered into a Chapter 380 Performance Agreement (the "Agreement") with Woodland Development, LLC a Texas Limited Liability Company (the "Developer") as follows:

Developer owns certain tracts of land totaling 12.931 acres within the corporate limits of the City for the development of the College Park development; and

The Developer has agreed to construct certain public works and improvements including Public Streets & Alleys, Public Access Easements, Drainage Systems, Water, Wastewater, and Storm Drain Systems, Detention Ponds, Landscaping, and Other Public Facilities; and

The EDC has agreed to provide a construction loan to the Developer to finance the construction of the Public Improvements; and

CITY OF CLUTE, TEXAS

*Notes to the Financial Statements
For the Year Ended September 30, 2025*

NOTE 15 - CHAPTER 380 PERFORMANCE AGREEMENTS Continued

The EDC shall make a loan (the "Loan") to the Developer in an amount not to exceed \$1,250,000 (the "Principal Amount") for the Construction of the Qualified Public Improvements. A total of \$ 260,000 of the loan shall be forgivable upon completion of the project and the timely repayment of \$ 990,000 from lot sale payments.

As of September 30, 2025, the City advanced a total of \$ 1,197,897 for qualified public improvements, a total of \$ 937,897 has been received from the developer from the sale of lots, and there is a note receivable balance of \$ 260,000.

NOTE 16 - RISK POOL PARTICIPATION

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of liability, property and worker's compensation claims. The City pays annual premiums to the pool for the coverage stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Therefore, the City's exposure for claims is designed to be limited to their deductible.

NOTE 17 - DEFICIT FUND BALANCE

As of September 30, 2025, the following fund had a deficit fund balance:

Great Texas Mosquito Festival Fund	\$ <u>37,530</u>
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The deficit balance will either be offset by future revenues or reimbursed by other funds.

NOTE 18 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 19, 2026, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLUTE, TEXAS

*Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended September 30, 2025*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 4,135,592	\$ 4,135,592	\$ 3,989,341	\$ (146,251)
Sales tax	1,400,000	1,400,000	1,664,145	264,145
Other taxes	545,000	545,000	540,620	(4,380)
Industrial district	2,750,000	2,750,000	2,644,217	(105,783)
Intergovernmental revenues	-	-	386,051	386,051
Revenue producing facilities	1,799,914	1,799,914	1,813,554	13,640
EMS revenues	802,750	802,750	1,097,446	294,696
Fines and fees	286,775	286,775	385,535	98,760
Licenses and fees	195,950	195,950	187,818	(8,132)
Investment income	222,050	222,050	496,116	274,066
Miscellaneous	122,700	122,700	187,719	65,019
Total revenues	12,260,731	12,260,731	13,392,562	1,131,831
Expenditures:				
Current:				
General Government and Administration:				
Administration	753,126	1,403,126	1,069,246	333,880
Legislative/City Council	265,905	265,905	187,936	77,969
Legal	120,675	120,675	94,899	25,776
Municipal Court	416,250	416,250	385,241	31,009
Information Technology	387,418	387,418	556,163	(168,745)
Building services	143,059	143,059	137,203	5,856
Non-Departmental	310,000	310,000	15,401	294,599
Public Safety:				
Police Department	4,750,517	4,750,517	5,178,005	(427,488)
Fire Department	307,756	307,756	228,521	79,235
EMS	1,473,576	1,473,576	1,767,610	(294,034)
Public Works:				
Streets/GF Infrastructure	1,175,677	1,175,677	1,163,839	11,838
Solid Waste	1,895,895	1,895,895	1,865,200	30,695
Culture and Recreation:				
Library	82,500	82,500	92,708	(10,208)
Parks and Recreation	847,006	847,006	740,729	106,277
Capital outlay	1,987,962	1,987,962	1,522,638	465,324
Debt Service:				
Principal retirement	360,000	360,000	272,583	87,417
Interest and fiscal charges	10,192	10,192	11,897	(1,705)
Total expenditures	15,287,514	15,937,514	15,289,819	647,695

(continued)

CITY OF CLUTE, TEXAS

*Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund - Continued
For the Year Ended September 30, 2025*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Deficiency of revenues over expenditures	\$ (3,026,783)	\$ (3,676,783)	\$ (1,897,257)	\$ 1,779,526
Other Financing Sources:				
Proceeds from sale of capital assets	2,500	2,500	70,935	68,435
Proceeds from leases	-	-	56,601	56,601
Transfers in	172,259	172,259	1,932,583	1,760,324
Total other financing sources	174,759	174,759	2,060,119	1,885,360
Change in fund balances	(2,852,024)	(3,502,024)	162,862	3,664,886
Fund balance - beginning	7,523,137	7,523,137	7,523,137	-
Fund balance - ending	\$ 4,671,113	\$ 4,021,113	\$ 7,685,999	\$ 3,664,886

CITY OF CLUTE, TEXAS

Exhibit 9

*Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Streets, Drainage, and Sidewalk Fund
For The Year Ended September 30, 2025*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 1,023,660	\$ 1,023,660	\$ 1,041,915	\$ 18,255
Intergovernmental revenues	5,000,000	5,000,000	310,458	(4,689,542)
Investment income	<u>8,500</u>	<u>8,500</u>	<u>277,862</u>	<u>269,362</u>
Total revenues	<u>6,032,160</u>	<u>6,032,160</u>	<u>1,630,235</u>	<u>(4,401,925)</u>
Expenditures:				
Current:				
General government and administration	7,500	7,500	1,737	5,763
Public works	523,388	523,388	340,929	182,459
Capital outlay	<u>7,100,000</u>	<u>7,100,000</u>	<u>918,729</u>	<u>6,181,271</u>
Total expenditures	<u>7,630,888</u>	<u>7,630,888</u>	<u>1,261,395</u>	<u>6,369,493</u>
Excess (deficiency) of revenues over expenditures	<u>(1,598,728)</u>	<u>(1,598,728)</u>	<u>368,840</u>	<u>1,967,568</u>
Other Financing Uses:				
Transfers out	<u>(488,764)</u>	<u>(488,764)</u>	<u>(488,764)</u>	<u>-</u>
Total other financing uses	<u>(488,764)</u>	<u>(488,764)</u>	<u>(488,764)</u>	<u>-</u>
Change in fund balance	(2,087,492)	(2,087,492)	(119,924)	1,967,568
Fund balance - beginning	<u>9,485,205</u>	<u>9,485,205</u>	<u>9,485,205</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,397,713</u>	<u>\$ 7,397,713</u>	<u>\$ 9,365,281</u>	<u>\$ 1,967,568</u>

CITY OF CLUTE, TEXAS

Exhibit 10

*Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Economic Development Corporation Fund
For the Year Ended September 30, 2025*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$ 1,165,000	\$ 1,165,000	\$ 1,302,393	\$ 137,393
Investment income	<u>10,000</u>	<u>10,000</u>	<u>65,943</u>	<u>55,943</u>
Total revenues	<u>1,175,000</u>	<u>1,175,000</u>	<u>1,368,336</u>	<u>193,336</u>
Expenditures:				
Current:				
General government and administration	213,540	213,540	27,284	186,256
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total expenditures	<u>713,540</u>	<u>713,540</u>	<u>27,284</u>	<u>686,256</u>
Excess of revenues over expenditures	<u>461,460</u>	<u>461,460</u>	<u>1,341,052</u>	<u>879,592</u>
Other Financing Uses:				
Transfers out	<u>(680,015)</u>	<u>(680,015)</u>	<u>(1,880,485)</u>	<u>(1,200,470)</u>
Total other financing uses	<u>(680,015)</u>	<u>(680,015)</u>	<u>(1,880,485)</u>	<u>(1,200,470)</u>
Change in fund balance	(218,555)	(218,555)	(539,433)	(320,878)
Fund balance - beginning	<u>2,720,941</u>	<u>2,720,941</u>	<u>2,720,941</u>	<u>-</u>
Fund balance - ending	\$ <u>2,502,386</u>	\$ <u>2,502,386</u>	\$ <u>2,181,508</u>	\$ <u>(320,878)</u>

CITY OF CLUTE, TEXAS

Schedule of TMRs Changes in Net Pension Liability/(Asset) and Related Ratios For the Last Ten Years With Measurement Date of December 31,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Pension Liability:				
Service cost	\$ 1,283,715	\$ 1,098,958	\$ 1,025,853	\$ 935,396
Interest (on the Total Pension Liability)	1,940,502	1,831,942	1,717,098	1,609,346
Difference between expected and actual experience	143,092	180,444	125,107	184,046
Changes in assumptions	-	(227,457)	-	-
Benefit payments, including refunds of employee contributions	<u>(1,445,453)</u>	<u>(1,290,487)</u>	<u>(1,115,936)</u>	<u>(1,239,444)</u>
Net Change in Total Pension Liability	1,921,856	1,593,400	1,752,122	1,489,344
Total Pension Liability - Beginning	<u>28,829,049</u>	<u>27,235,649</u>	<u>25,483,527</u>	<u>36,596,257</u>
Total Pension Liability - Ending (a)	<u>\$ 30,750,905</u>	<u>\$ 28,829,049</u>	<u>\$ 27,235,649</u>	<u>\$ 38,085,601</u>
Fiduciary Net Position:				
Contributions - Employer	\$ 710,749	\$ 638,351	\$ 593,631	\$ 577,825
Contributions - Employees	477,471	445,954	418,472	384,352
Net Investment Income	2,958,585	2,978,097	(2,034,556)	3,249,912
Benefit payments, including refunds of employee contributions	(1,445,453)	(1,290,487)	(1,115,936)	(1,239,444)
Administrative expense	(19,022)	(18,991)	(17,641)	(15,061)
Other	<u>(455)</u>	<u>(133)</u>	<u>21,051</u>	<u>103</u>
Net Change in Plan Fiduciary Net Position	2,681,885	2,752,791	(2,134,979)	2,957,687
Plan Fiduciary Net Position - Beginning	<u>28,544,951</u>	<u>25,792,160</u>	<u>27,927,139</u>	<u>38,178,116</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 31,226,836</u>	<u>\$ 28,544,951</u>	<u>\$ 25,792,160</u>	<u>\$ 41,135,803</u>
Net Pension Liability/(Asset) (a-b)	<u>\$ (475,931)</u>	<u>\$ 284,098</u>	<u>\$ 1,443,489</u>	<u>\$ (3,050,202)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>101.55%</u>	<u>99.01%</u>	<u>94.70%</u>	<u>108.01%</u>
Covered-Employee Payroll	<u>\$ 6,821,013</u>	<u>\$ 6,370,769</u>	<u>\$ 8,978,165</u>	<u>\$ 5,492,636</u>
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	<u>(6.98)%</u>	<u>4.46%</u>	<u>16.08%</u>	<u>(55.53)%</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 917,412	\$ 846,792	\$ 787,244	\$ 757,138	\$ 686,526	\$ 618,897
1,567,039	1,476,218	1,398,468	1,325,576	1,274,557	1,265,868
(610,317)	(4,978)	(62,702)	(172,275)	(274,645)	(320,136)
-	163,481	-	-	-	161,057
<u>(1,273,281)</u>	<u>(1,069,378)</u>	<u>(932,476)</u>	<u>(758,747)</u>	<u>(1,173,072)</u>	<u>(748,914)</u>
600,853	1,412,135	1,190,534	1,151,692	513,366	976,772
<u>35,995,404</u>	<u>34,583,269</u>	<u>33,392,735</u>	<u>32,241,043</u>	<u>31,727,677</u>	<u>30,750,905</u>
<u>\$ 36,596,257</u>	<u>\$ 35,995,404</u>	<u>\$ 34,583,269</u>	<u>\$ 33,392,735</u>	<u>\$ 32,241,043</u>	<u>\$ 31,727,677</u>
\$ 561,151	\$ 518,806	\$ 498,023	\$ 492,209	\$ 409,449	\$ 420,803
381,800	354,306	329,194	317,553	287,766	277,888
1,782,853	3,174,202	(637,624)	2,586,965	1,214,296	26,583
(1,273,281)	(1,069,378)	(932,476)	(758,747)	(1,173,072)	(748,914)
(11,557)	(17,968)	(12,346)	(13,433)	(13,721)	(16,194)
<u>(451)</u>	<u>(540)</u>	<u>(647)</u>	<u>(679)</u>	<u>(739)</u>	<u>(800)</u>
1,440,515	2,959,428	(755,876)	2,623,868	723,979	(40,634)
<u>36,737,601</u>	<u>33,778,173</u>	<u>34,534,049</u>	<u>31,910,181</u>	<u>31,186,202</u>	<u>31,226,836</u>
<u>\$ 38,178,116</u>	<u>\$ 36,737,601</u>	<u>\$ 33,778,173</u>	<u>\$ 34,534,049</u>	<u>\$ 31,910,181</u>	<u>\$ 31,186,202</u>
<u>\$ (1,581,859)</u>	<u>\$ (742,197)</u>	<u>\$ 805,096</u>	<u>\$ (1,141,314)</u>	<u>\$ 330,862</u>	<u>\$ 541,475</u>
<u>104.32%</u>	<u>102.06%</u>	<u>97.67%</u>	<u>103.42%</u>	<u>98.97%</u>	<u>98.29%</u>
<u>\$ 5,454,291</u>	<u>\$ 5,061,519</u>	<u>\$ 4,702,771</u>	<u>\$ 4,281,940</u>	<u>\$ 4,110,937</u>	<u>\$ 3,960,993</u>
<u>(29.00)%</u>	<u>(14.66)%</u>	<u>17.12%</u>	<u>(26.65)%</u>	<u>8.05%</u>	<u>13.67%</u>

CITY OF CLUTE, TEXAS

Schedule of the City's Contributions

For the Last Ten Years Ended September 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contribution	\$ 833,367	\$ 685,264	\$ 629,321	\$ 590,175
Contributions in relation to the actuarially determined contribution	<u>833,367</u>	<u>685,264</u>	<u>629,321</u>	<u>590,175</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Covered-employee payroll	<u>\$ 7,184,993</u>	<u>\$ 6,644,793</u>	<u>\$ 6,295,975</u>	<u>\$ 5,849,614</u>
Contributions as a percentage of covered-employee payroll	<u>11.60%</u>	<u>10.31%</u>	<u>10.00%</u>	<u>10.09%</u>

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	20 years (longer amortization ladder)
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Pre-retirement: PUB(10) mortality tables, with the 110% of the Public safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>

Other Information:

Notes There were no benefit changes during the year.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 556,274	\$ 545,079	\$ 512,477	\$ 492,209	\$ 409,449	\$ 420,803
<u>556,274</u>	<u>545,079</u>	<u>512,477</u>	<u>492,209</u>	<u>409,449</u>	<u>420,803</u>
\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
\$ <u>5,318,534</u>	\$ <u>5,298,370</u>	\$ <u>4,961,593</u>	\$ <u>4,536,477</u>	\$ <u>4,110,937</u>	\$ <u>3,960,993</u>
<u>10.46%</u>	<u>10.29%</u>	<u>10.33%</u>	<u>10.85%</u>	<u>9.96%</u>	<u>10.62%</u>

CITY OF CLUTE, TEXAS

*Schedule of TESRS Proportionate Share of the Net Pension Liability and Related Ratios
For the Last Ten Years With Measurement Date of August 31,*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's proportion of the net pension liability	<u>0.6940%</u>	<u>0.8000%</u>	<u>0.7130%</u>	<u>0.5860%</u>
City's proportionate share of the net pension liability	<u>\$ 745,181</u>	<u>\$ 346,297</u>	<u>\$ 292,544</u>	<u>\$ 62,785</u>
Plan fiduciary net position as a percentage of total pension liability	<u>56.32%</u>	<u>74.64%</u>	<u>75.19%</u>	<u>93.12%</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.6000%</u>	<u>0.6540%</u>	<u>0.5960%</u>	<u>0.5130%</u>	<u>0.7330%</u>	<u>0.7280%</u>
<u>\$ 151,265</u>	<u>\$ 185,380</u>	<u>\$ 129,037</u>	<u>\$ 123,129</u>	<u>\$ 168,083</u>	<u>\$ 159,361</u>
<u>83.20%</u>	<u>80.20%</u>	<u>84.30%</u>	<u>81.40%</u>	<u>76.30%</u>	<u>76.90%</u>

CITY OF CLUTE, TEXAS

*Schedule of TERSRS Required Contributions
For the Last Ten Years Ended September 30,*

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contributions	\$ 30,070	\$ 35,805	\$ 38,182	\$ 35,237
Contributions in relation to the contractually required contributions	<u>30,070</u>	<u>35,805</u>	<u>38,182</u>	<u>35,237</u>
Contribution deficiency (excess)	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 30,595	\$ 25,638	\$ 29,310	\$ 24,815	\$ 25,375	\$ 25,600
<u>30,595</u>	<u>25,638</u>	<u>29,310</u>	<u>24,815</u>	<u>25,375</u>	<u>25,600</u>
\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -

CITY OF CLUTE, TEXAS

*Schedule of TMRs Changes in Total OPEB Liability and Related Ratios
For the Last Ten Years⁽¹⁾ With Measurement Date of December 31, (1)*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability:				
Service cost	\$ 17,735	\$ 14,016	\$ 24,510	\$ 20,323
Interest	10,379	9,979	6,716	6,832
Changes in assumptions or other input	(14,129)	13,760	(126,605)	11,275
Difference between expected and actual experience	(8,180)	(3,451)	(11,522)	(11,111)
Benefit payments	<u>(7,503)</u>	<u>(7,008)</u>	<u>(5,978)</u>	<u>(6,043)</u>
Net Change in Total OPEB Liability	(1,698)	27,296	(112,879)	21,276
Total OPEB Liability - Beginning	<u>270,177</u>	<u>242,881</u>	<u>355,760</u>	<u>334,484</u>
Total OPEB Liability - Ending	<u>\$ 268,479</u>	<u>\$ 270,177</u>	<u>\$ 242,881</u>	<u>\$ 355,760</u>
Covered Payroll	<u>\$ 6,821,013</u>	<u>\$ 6,370,769</u>	<u>\$ 5,978,165</u>	<u>\$ 5,492,636</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>3.94%</u>	<u>4.24%</u>	<u>4.06%</u>	<u>6.48%</u>

Notes to Schedule:

The Supplemental Death Benefits Fund (SDBF) covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b and there are no assets accumulated for OPEB.

Changes in assumptions or other inputs reflect the effects of changes in the discount rates each period. The following are the discount rates used in each period:

2024	4.08%
2023	3.77%
2022	4.05%
2021	1.84%
2020	2.00%
2019	2.75%
2018	3.71%
2017	3.78%

(1) GASB Statement No. 75 requires 10 years of data, however, seven years of data is presented as the data for the years prior to 2017 is not available. Additionally, GASB Statement No. 75 requires that information on this schedule correspond with the period covered as of the plan assessment date (December 31 of the prior year).

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 17,454	\$ 10,123	\$ 11,287	\$ 9,527
7,833	8,255	7,614	7,390
45,897	46,866	(16,235)	18,342
(11,722)	(4,726)	(8,133)	-
<u>(2,181)</u>	<u>(1,518)</u>	<u>(1,411)</u>	<u>(1,815)</u>
57,281	59,000	(6,878)	33,444
<u>277,203</u>	<u>218,203</u>	<u>225,081</u>	<u>191,637</u>
<u>\$ 334,484</u>	<u>\$ 277,203</u>	<u>\$ 218,203</u>	<u>\$ 225,081</u>
<u>\$ 5,454,291</u>	<u>\$ 5,061,519</u>	<u>\$ 4,702,771</u>	<u>\$ 4,281,940</u>
<u>6.13%</u>	<u>5.48%</u>	<u>4.64%</u>	<u>5.26%</u>

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OTHER SCHEDULES

CITY OF CLUTE, TEXAS

Exhibit 16

*Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2025*

	<u>Special Revenue Funds</u>			
	<u>Hotel- Motel Fund</u>	<u>Great Texas Mosquito Festival Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,441,471	\$ -	\$ 176,837	\$ 1,618,308
Receivables (net of allowance for uncollectibles):				
Property taxes	-	-	7,853	7,853
Other taxes	<u>125,468</u>	<u>-</u>	<u>-</u>	<u>125,468</u>
Total assets	<u>\$ 1,566,939</u>	<u>\$ -</u>	<u>\$ 184,690</u>	<u>\$ 1,751,629</u>
Liabilities:				
Accounts payable	\$ 3,193	\$ 2,889	\$ -	\$ 6,082
Accrued wages and benefits payable	5,852	-	-	5,852
Due to other funds	<u>-</u>	<u>34,641</u>	<u>-</u>	<u>34,641</u>
Total liabilities	<u>9,045</u>	<u>37,530</u>	<u>-</u>	<u>46,575</u>
Deferred Inflows of Resources:				
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>7,488</u>	<u>7,488</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>7,488</u>	<u>7,488</u>
Fund Balances:				
Restricted	1,557,894	-	177,202	1,735,096
Unassigned	<u>-</u>	<u>(37,530)</u>	<u>-</u>	<u>(37,530)</u>
Total fund balances	<u>1,557,894</u>	<u>(37,530)</u>	<u>177,202</u>	<u>1,697,566</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,566,939</u>	<u>\$ -</u>	<u>\$ 184,690</u>	<u>\$ 1,751,629</u>

CITY OF CLUTE, TEXAS

Exhibit 17

*Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended September 30, 2025*

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Hotel- Motel Fund	Great Texas Mosquito Festival Fund	Debt Service Fund	
Revenues:				
Property taxes	\$ -	\$ -	\$ 361,292	\$ 361,292
Other taxes	505,518	-	-	505,518
Revenue producing facilities	-	236,747	-	236,747
Investment income	30,104	3,732	-	33,836
Miscellaneous	696	-	-	696
	<u>536,318</u>	<u>240,479</u>	<u>361,292</u>	<u>1,138,089</u>
Total revenues				
Expenditures:				
Current:				
Culture and Recreation	339,012	293,280	-	632,292
Debt Service:				
Principal	-	-	615,000	615,000
Interest and fiscal charges	-	-	235,454	235,454
	<u>339,012</u>	<u>293,280</u>	<u>850,454</u>	<u>1,482,746</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>197,306</u>	<u>(52,801)</u>	<u>(489,162)</u>	<u>(344,657)</u>
Other Financing Sources (Uses):				
Transfers in	49,250	50,000	439,431	538,681
Transfers out	<u>(102,015)</u>	<u>-</u>	<u>-</u>	<u>(102,015)</u>
Total other financing sources (uses)	<u>(52,765)</u>	<u>50,000</u>	<u>439,431</u>	<u>436,666</u>
Change in fund balances	144,541	(2,801)	(49,731)	92,009
Fund balances - beginning	<u>1,413,353</u>	<u>(34,729)</u>	<u>226,933</u>	<u>1,605,557</u>
Fund balances - ending	<u>\$ 1,557,894</u>	<u>\$ (37,530)</u>	<u>\$ 177,202</u>	<u>\$ 1,697,566</u>

CITY OF CLUTE, TEXAS

Exhibit 18

*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Hotel-Motel Fund
For the Year Ended September 30, 2025*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 341,300	\$ 341,300	\$ 505,518	\$ 164,218
Investment income	34,367	34,367	30,104	(4,263)
Miscellaneous	-	-	696	696
Total revenues	<u>375,667</u>	<u>375,667</u>	<u>536,318</u>	<u>160,651</u>
Expenditures:				
Current:				
Culture and Recreation	438,935	438,935	339,012	99,923
Capital outlay	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>
Total expenditures	<u>448,935</u>	<u>448,935</u>	<u>339,012</u>	<u>109,923</u>
Excess (deficiency) of revenues over expenditures	<u>(73,268)</u>	<u>(73,268)</u>	<u>197,306</u>	<u>270,574</u>
Other Financing Uses:				
Transfers in	-	-	49,250	49,250
Transfers out	<u>(102,015)</u>	<u>(102,105)</u>	<u>(102,015)</u>	<u>90</u>
Total other financing sources (uses)	<u>(102,015)</u>	<u>(102,105)</u>	<u>(52,765)</u>	<u>49,340</u>
Change in fund balances	(175,283)	(175,373)	144,541	319,914
Fund balance - beginning	<u>1,413,353</u>	<u>1,413,353</u>	<u>1,413,353</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,238,070</u>	<u>\$ 1,237,980</u>	<u>\$ 1,557,894</u>	<u>\$ 319,914</u>

CITY OF CLUTE, TEXAS

Exhibit 19

*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Great Texas Mosquito Festival Fund
For the Year Ended September 30, 2025*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue producing facilities	\$ -	\$ -	\$ 236,747	\$ 236,747
Investment income	-	-	3,732	3,732
Total revenues	-	-	240,479	240,479
Expenditures:				
Current:				
Culture and Recreation	345,900	345,900	293,280	52,620
Total expenditures	345,900	345,900	293,280	52,620
Deficiency of revenues over expenditures	(345,900)	(345,900)	(52,801)	293,099
Other Financing Sources:				
Transfers in	50,000	50,000	50,000	-
Total other financing sources	50,000	50,000	50,000	-
Change in fund balance	(295,900)	(295,900)	(2,801)	293,099
Fund balance - beginning	(34,729)	(34,729)	(34,729)	-
Fund balance - ending	\$ (330,629)	\$ (330,629)	\$ (37,530)	\$ 293,099

CITY OF CLUTE, TEXAS

Exhibit 20

*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Debt Service Fund
For the Year Ended September 30, 2025*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 370,031	\$ 370,031	\$ 361,292	\$ (8,739)
Total revenues	<u>370,031</u>	<u>370,031</u>	<u>361,292</u>	<u>(8,739)</u>
Expenditures:				
Debt Service:				
Principal	606,386	606,386	615,000	(8,614)
Interest and fiscal charges	<u>241,269</u>	<u>241,269</u>	<u>235,454</u>	<u>5,815</u>
Total expenditures	<u>847,655</u>	<u>847,655</u>	<u>850,454</u>	<u>(2,799)</u>
Deficiency of revenues over expenditures	<u>(477,624)</u>	<u>(477,624)</u>	<u>(489,162)</u>	<u>(11,538)</u>
Other Financing Sources:				
Transfers in	<u>481,517</u>	<u>481,517</u>	<u>439,431</u>	<u>(42,086)</u>
Total other financing sources	<u>481,517</u>	<u>481,517</u>	<u>439,431</u>	<u>(42,086)</u>
Change in fund balance	3,893	3,893	(49,731)	(53,624)
Fund balance - beginning	<u>226,933</u>	<u>226,933</u>	<u>226,933</u>	<u>-</u>
Fund balance - ending	<u>\$ 230,826</u>	<u>\$ 230,826</u>	<u>\$ 177,202</u>	<u>\$ (53,624)</u>