

CITY OF CLUTE
CLUTE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2019



8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566

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CITY OF CLUTE

Clute, Texas

Annual Financial Report
For the Year Ended September 30, 2019

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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
Clute, Texas

Report on the Financial Statements

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 (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Bay City, TX 77414
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Clute, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 20, budgetary comparison information on pages 88 through 90, and required pension and OPEB related schedules on pages 92 through 100, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and
Members of City Council
City of Clute
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
February 19, 2020

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2019

As management of the City of Clute (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, 2019. 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 \$ 60,491,370 (net position). Of this amount, \$ 9,271,255 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position increased in the amount of \$ 1,630,316.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 19,184,878. 6.6% of this total amount, \$ 1,270,922 (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 \$ 1,270,922 or 9.9% 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, 2019*

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 sanitation, streets and drainage, 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 23 through 25 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 special revenue fund, and the Economic Development Corporation special revenue 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 26 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 103 through 104 of this report.

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2019

- **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 34 of this report.

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 40 through 86 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 88 through 100 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 103 through 121 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 \$ 60,491,370 as of September 30, 2019.

A large portion of the City's net position of \$ 37,988,632 (62.8%) reflects its investments in capital assets (e.g., land, buildings and improvements, infrastructure, furniture, equipment, vehicles, 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.

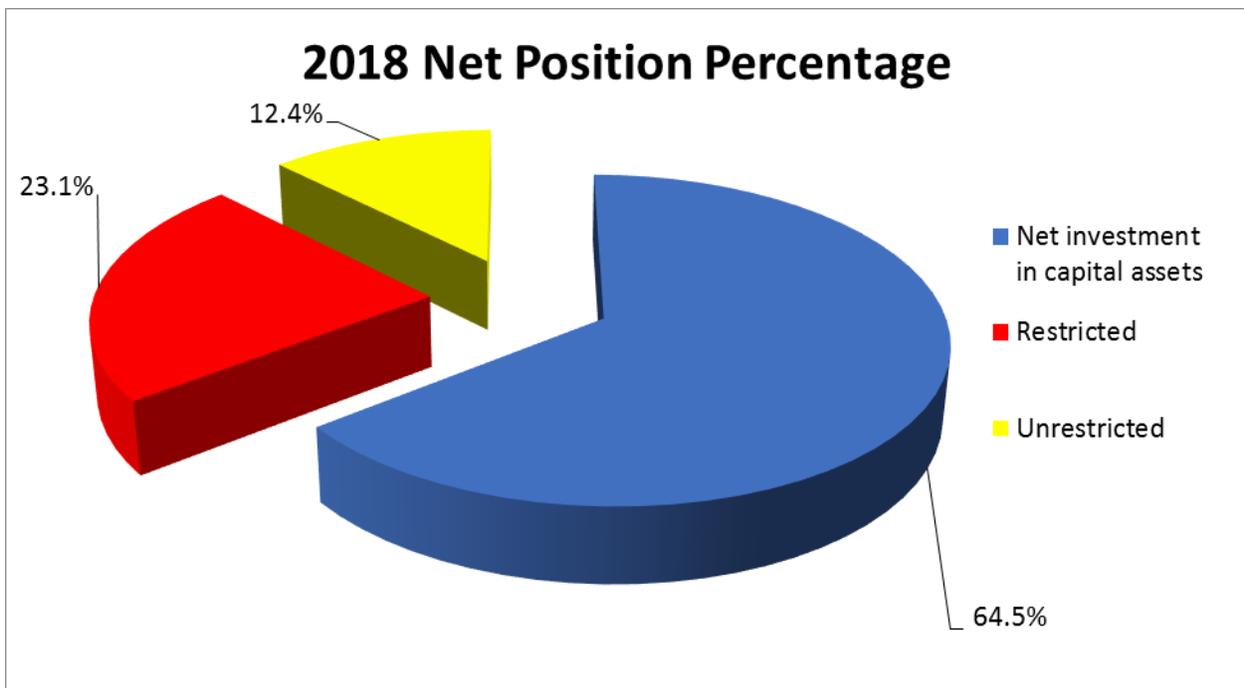
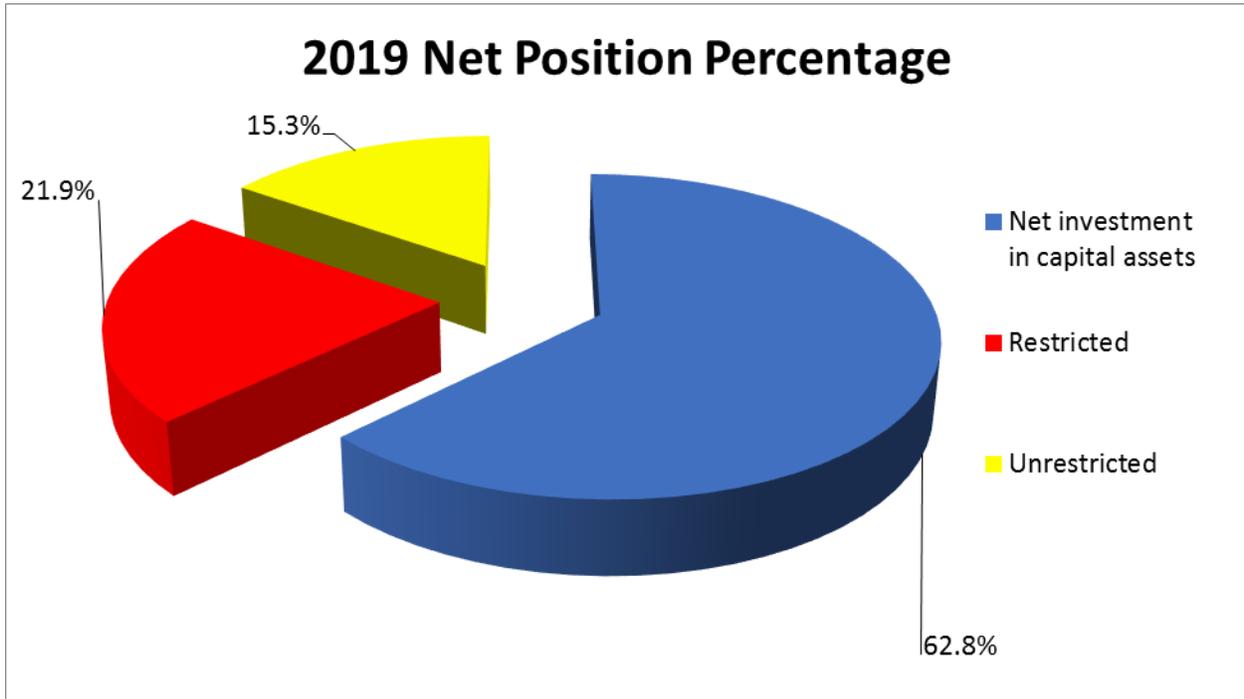
An additional portion of the City's net position of \$ 13,231,483 (21.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 9,271,255 (15.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2019

CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 23,370,291	\$ 22,871,623	\$ 4,553,283	\$ 3,719,344	\$ 27,923,574	\$ 26,590,967
Capital assets	<u>31,854,301</u>	<u>30,375,589</u>	<u>19,783,696</u>	<u>20,543,270</u>	<u>51,637,997</u>	<u>50,918,859</u>
Total assets	<u>55,224,592</u>	<u>53,247,212</u>	<u>24,336,979</u>	<u>24,262,614</u>	<u>79,561,571</u>	<u>77,509,826</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	<u>1,439,157</u>	<u>929,470</u>	<u>153,097</u>	<u>112,411</u>	<u>1,592,254</u>	<u>1,041,881</u>
Total deferred outflows of resources	<u>1,439,157</u>	<u>929,470</u>	<u>153,097</u>	<u>112,411</u>	<u>1,592,554</u>	<u>1,041,881</u>
LIABILITIES						
Current and other liabilities	1,019,672	933,409	588,519	602,975	1,608,191	1,536,384
Long-term liabilities	<u>13,096,573</u>	<u>10,738,664</u>	<u>5,815,473</u>	<u>6,111,361</u>	<u>18,912,046</u>	<u>16,850,025</u>
Total liabilities	<u>14,116,245</u>	<u>11,672,073</u>	<u>6,403,992</u>	<u>6,714,336</u>	<u>20,520,237</u>	<u>18,366,409</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	<u>133,124</u>	<u>1,214,252</u>	<u>9,094</u>	<u>89,992</u>	<u>142,218</u>	<u>1,304,244</u>
Total deferred inflows of resources	<u>133,124</u>	<u>1,214,252</u>	<u>9,094</u>	<u>89,992</u>	<u>142,218</u>	<u>1,304,244</u>
NET POSITION						
Net investment in capital assets	23,907,550	23,518,680	14,081,082	14,449,493	37,988,632	37,968,173
Restricted	13,231,483	13,574,309			13,231,483	13,574,309
Unrestricted	<u>5,275,347</u>	<u>4,197,368</u>	<u>3,995,908</u>	<u>3,121,204</u>	<u>9,271,255</u>	<u>7,318,572</u>
Total net position	<u>\$ 42,414,380</u>	<u>\$ 41,290,357</u>	<u>\$ 18,076,990</u>	<u>\$ 17,570,697</u>	<u>\$ 60,491,370</u>	<u>\$ 58,861,054</u>



Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2019. Governmental activities increased the City's net position by \$ 1,124,023 and business-type activities increased the City's net position by \$ 506,293.

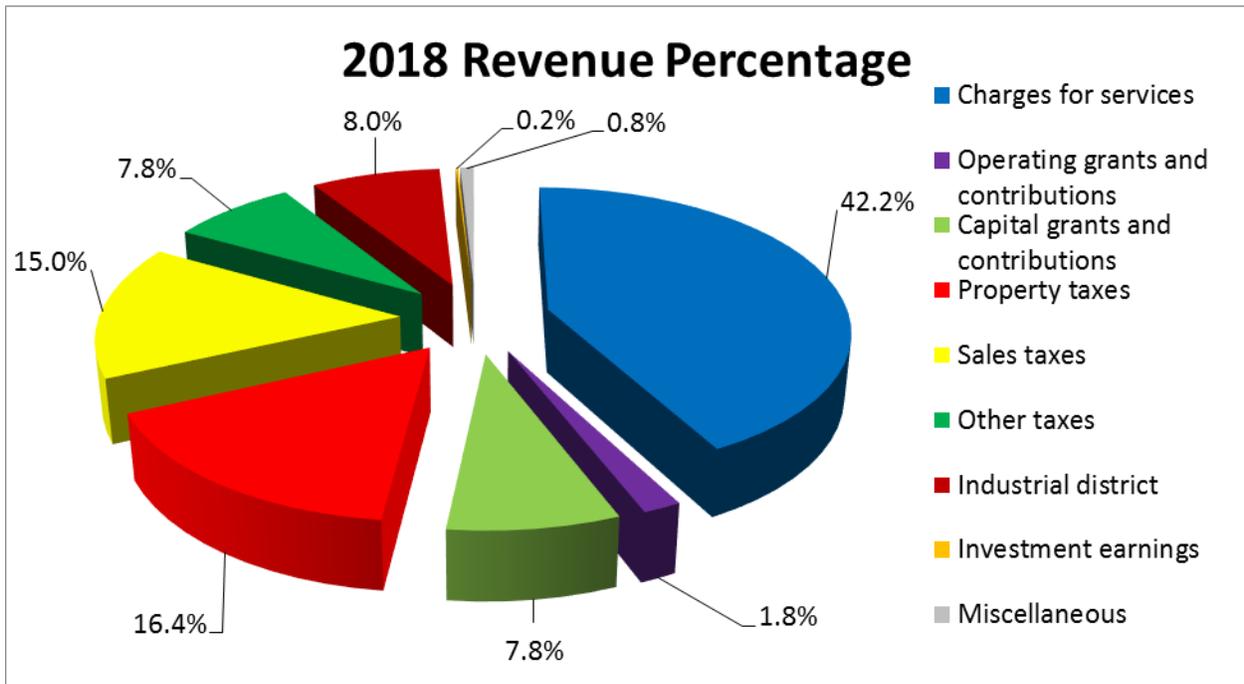
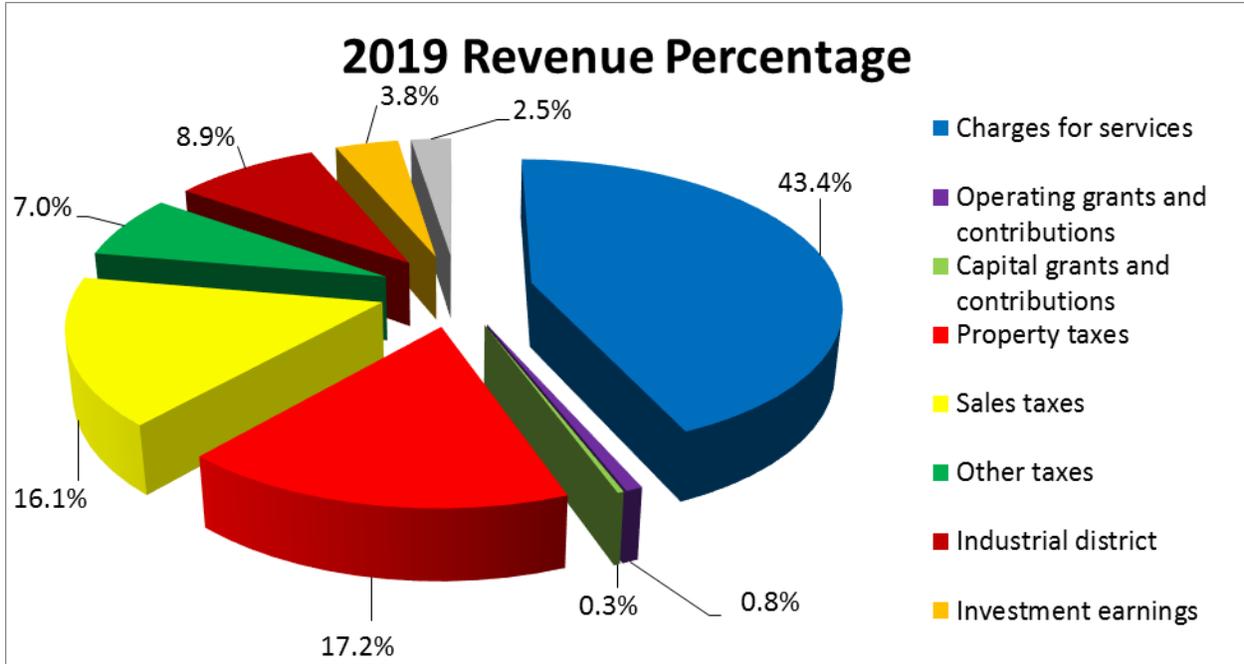
CITY OF CLUTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2019

CITY'S CHANGES IN NET POSITION

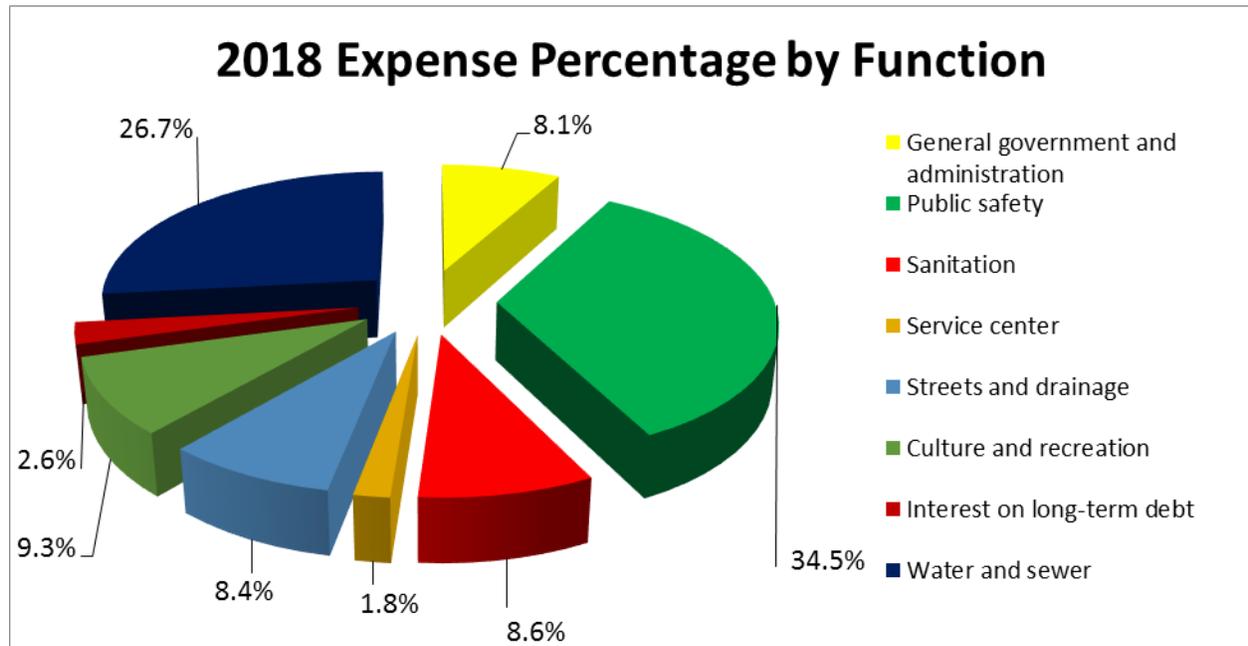
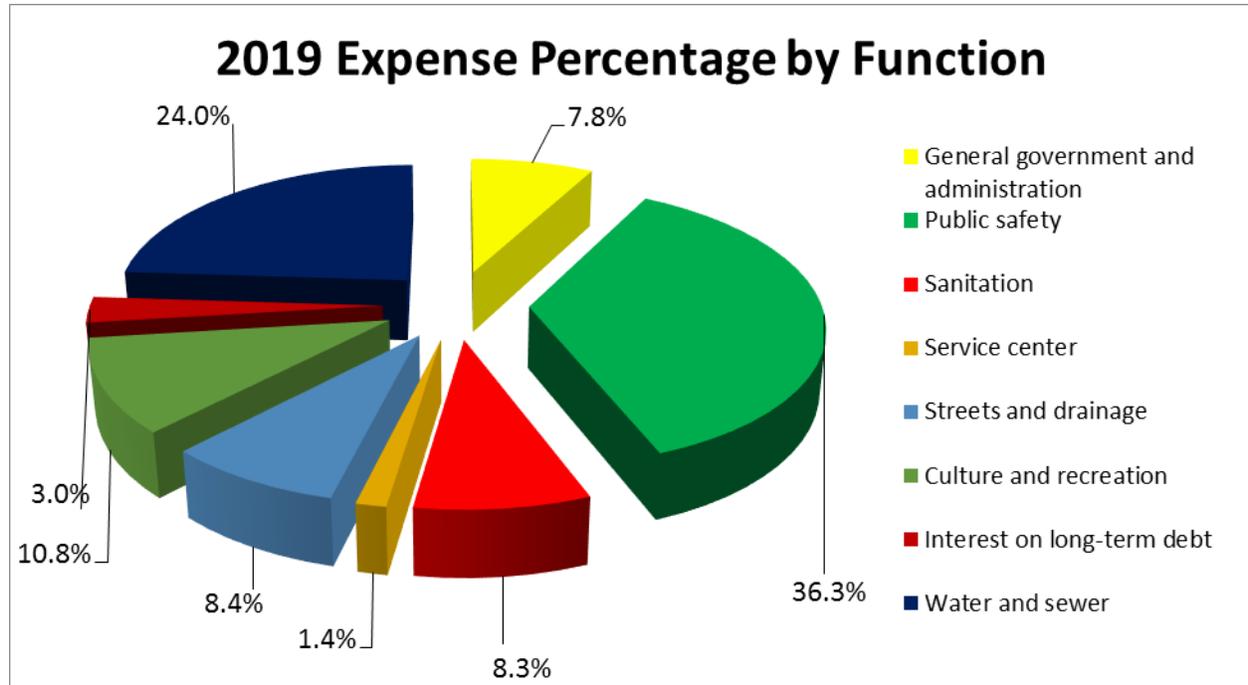
	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 3,279,932	\$ 3,131,699	\$ 5,033,880	\$ 4,934,702	\$ 8,313,812	\$ 8,066,401
Operating grants and contributions	144,001	336,767			144,001	336,767
Capital grants and contributions	53,940	1,492,050			53,940	1,492,050
General Revenues:						
Taxes:						
Property taxes	3,300,216	3,117,684			3,300,216	3,117,684
Sales tax	3,095,082	2,873,220			3,095,082	2,873,220
Other taxes	1,344,330	1,483,596			1,344,330	1,483,596
Industrial district	1,708,664	1,536,349			1,708,664	1,536,349
Gain on disposition of capital assets		11,098			-0-	11,098
Investment earnings	714,781	12,850	28,905	16,655	743,686	29,505
Miscellaneous	472,718	148,128			472,718	148,128
Total revenues	<u>14,113,664</u>	<u>14,143,441</u>	<u>5,062,785</u>	<u>4,951,357</u>	<u>19,176,449</u>	<u>19,094,798</u>
Expenses:						
General government and administration	1,377,838	1,260,993			1,377,838	1,260,993
Public safety	6,367,230	5,384,284			6,367,230	5,384,284
Sanitation	1,448,952	1,340,390			1,448,952	1,340,390
Service center	252,443	278,522			252,443	278,522
Streets and drainage	1,473,241	1,305,872			1,473,241	1,305,872
Culture and recreation	1,897,075	1,443,084			1,897,075	1,443,084
Interest on long-term debt	347,862	224,732	174,654	186,383	522,516	411,115
Water and sewer			4,206,838	4,167,794	4,206,838	4,167,794
Total expenses	<u>13,164,641</u>	<u>11,237,877</u>	<u>4,381,492</u>	<u>4,354,177</u>	<u>17,546,133</u>	<u>15,592,054</u>
Increase in net position before transfers	949,023	2,905,564	681,293	597,180	1,630,316	3,502,744
Transfers	<u>175,000</u>	<u>175,000</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-0-</u>	<u>-0-</u>
Increase in net position	1,124,023	3,080,564	506,293	422,180	1,630,316	3,502,744
Net position - beginning	<u>41,290,357</u>	<u>38,209,793</u>	<u>17,570,697</u>	<u>17,148,517</u>	<u>58,861,054</u>	<u>55,358,310</u>
Net position - ending	<u>\$ 42,414,380</u>	<u>\$ 41,290,357</u>	<u>\$ 18,076,990</u>	<u>\$ 17,570,697</u>	<u>\$ 60,491,370</u>	<u>\$ 58,861,054</u>

CITY OF CLUTE, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2019



CITY OF CLUTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2019



CITY OF CLUTE, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2019*

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 \$ 19,184,878. The unassigned fund balance of \$ 1,270,922 constitutes 6.6% of ending fund balance. The remainder of the fund balance is categorized as 1) non-spendable (\$ 4,374,041), 2) restricted (\$ 8,864,992), and 3) assigned (\$ 4,674,923).

The General Fund fund balance increased by \$ 644,586; the Streets, Drainage and Sidewalks special revenue fund balance increased by \$ 348,856, the Economic Development Corporation special revenue fund balance decreased by \$ 186,642, and the non-major governmental funds increased by \$ 22,375.

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, 2019 amounted to \$ 18,076,990. Total net position increased by \$ 506,293 (approximately 2.9%).

General Fund Budgetary Highlights. Revenues were increased by \$ 110,285 from the original budget to the final amended budget. Expenditures were increased by \$ 3,164,160 from the original budget to the final amended budget. The City's revenues were more than budgeted revenues by \$ 422,968 and the budgeted expenditures exceeded the expenditure amounts by \$ 2,592,913.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$ 51,637,997 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress.

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2019

Major capital asset events during the current fiscal year included the following:

- PD – 3 Tahoe's and new graphics \$174,652, license plates reader \$28,158
- Fire – Pumper truck, Aerial truck \$1,422,637, bunker gear, thermal camera \$25,728
- Streets – 2019 F-350 \$35,922
- EMS – 2018 Medix Ambulance \$159,000
- EMS – Inline Cots \$45,356
- Sanitation – 2019 F750 Loader \$160,706, 2020 West Flatbed Truck \$128,136
- Sanitation – Dumpsters \$42,015
- Service Ctr. – Warehouse Improvements \$27,357
- Library Improvements \$46,057.
- Parks – (2) Toro mowers \$16,319, Toro Sand Pro 5040E Mower \$23,444, Playground upgrades \$40,000
- Parks – Electrical upgrades \$408,870, Infield renovations \$17,650, A/C \$8,500
- Cobb Well/Tower \$45,055
- Meters/transmitters \$23,883
- Re-locate sewer line \$45,368
- Street Projects \$333,247
- Drainage Study \$157,162
- Storm Water/Interlocal Agreement \$10,500
- Temple Ditch GLO6747 \$193,751
- Waste Water Treatment Plant Improvements - \$175,757

CITY'S CAPITAL ASSETS Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2019	2018	2019	2018	2019	2018
Land	\$ 452,610	\$ 398,660	\$ 7,562	\$ 7,562	\$ 460,172	\$ 406,222
Buildings and improvements	11,417,192	7,105,170	247,005	215,755	11,664,197	7,320,925
Furniture, equipment and vehicles	4,268,859	2,803,594	247,655	283,526	4,516,514	3,087,120
Infrastructure	12,003,319	12,011,661	19,281,474	17,947,114	31,284,793	29,958,775
Construction in progress	<u>3,712,321</u>	<u>8,056,504</u>	<u> </u>	<u>2,089,313</u>	<u>3,712,321</u>	<u>10,145,817</u>
Total	<u>\$ 31,854,301</u>	<u>\$ 30,375,589</u>	<u>\$ 19,783,696</u>	<u>\$ 20,543,270</u>	<u>\$ 51,637,997</u>	<u>\$ 50,918,859</u>

Additional information on the City's capital assets can be found in Note 6 on pages 60 through 62 of this report.

CITY OF CLUTE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2019

Debt Administration

CITY'S LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Certificates of obligation bonds	\$ 7,890,000	\$ 6,700,000	\$ 5,625,000	\$ 6,005,000	\$ 13,515,000	\$ 12,705,000
Chapter 380 agreement	3,235,797	3,456,745			3,235,797	3,456,745
TMRS Net pension liability	1,315,800		95,886		1,411,686	
TESRS Net pension liability	129,037	123,129			129,037	123,129
Total OPEB liability	203,474	209,801	14,729	15,280	218,203	225,081
Premium on bonds	232,788	156,909	77,614	88,777	310,402	245,686
Compensated absences	89,677	92,080	2,244	2,304	91,921	94,384
Total	<u>\$ 13,096,573</u>	<u>\$ 10,738,664</u>	<u>\$ 5,815,473</u>	<u>\$ 6,111,361</u>	<u>\$ 18,912,046</u>	<u>\$ 16,850,025</u>

At the end of the current fiscal year, the City had a total bonded debt payable of \$ 13,515,000. This amount is comprised of bonded debt backed by the full faith and credit of the City. \$ 1,415,000 of these bonds are intended to be retired with transfers from the water and sewer and economic development corporation funds.

Additional information on the City of Clute's long-term debt can be found in Note 15 on pages 78 through 81 of this report.

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2019-2020, property tax valuations are \$563,812, with a tax rate of \$.6250 per \$100 in valuation.

Projected total revenues for fiscal year 2019-2020 are budgeted to be \$18,909,130, and budgeted expenditures/expenses for the fiscal year 2019-2020 are \$21,291,963, which includes \$4.1 Million for year 1 of the construction in process. The City implemented a 3% across-the-board salary rate increase.

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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STATEMENT OF NET POSITION
September 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and temporary investments	\$ 8,593,482	\$ 3,095,596	\$ 11,689,078
Investments	6,355,692	407,152	6,762,844
Taxes receivable (net)	834,436		834,436
Accounts receivables (net)	914,630	288,205	1,202,835
Due from other governments	920		920
Other receivables		66,835	66,835
Accrued interest	30,090		30,090
Interfund balances	(138,000)	138,000	-0-
Long-term notes receivable	4,362,987		4,362,987
Prepaid expenses	2,416,054	183,523	2,599,577
Restricted Assets:			
Temporarily Restricted:			
Cash and temporary investments		373,972	373,972
Capital Assets (Net of Accumulated Depreciation):			
Land	452,610	7,562	460,172
Buildings and improvements	11,417,192	247,005	11,664,197
Furniture, equipment and vehicles	4,268,859	247,655	4,516,514
Infrastructure	12,003,319	19,281,474	31,284,793
Construction in progress	3,712,321		3,712,321
Total assets	55,224,592	24,336,979	79,561,571
Deferred Outflows of Resources:			
Deferred outflows of resources	1,439,157	153,097	1,592,254
Total deferred outflows of resources	1,439,157	153,097	1,592,254
Liabilities:			
Accounts payable	869,163	160,228	1,029,391
Accrued wages and benefits payable	80,476		80,476
Accrued interest	46,242	29,106	75,348
Unearned revenue	23,791	25,213	49,004
Liabilities payable from restricted assets		373,972	373,972
Noncurrent Liabilities:			
Net pension liability	1,444,837	95,886	1,540,723
Total OPEB liability	203,474	14,729	218,203
Due within one year	665,519	403,407	1,068,926
Due in more than one year	10,782,743	5,301,451	16,084,194
Total liabilities	14,116,245	6,403,992	20,520,237
Deferred Inflows of Resources:			
Deferred inflows of resources	133,124	9,094	142,218
Total deferred inflows of resources	133,124	9,094	142,218
Net Position:			
Net investment in capital assets	23,907,550	14,081,082	37,988,632
Restricted	13,231,483		13,231,483
Unrestricted	5,275,347	3,995,908	9,271,255
Total net position	\$ 42,414,380	\$ 18,076,990	\$ 60,491,370

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

CITY OF CLUTE

Clute, Texas

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government and administration	\$ 1,377,838	\$	\$ 141,375	\$ 53,940
Public safety	6,367,230	1,606,839	2,626	
Sanitation	1,448,952	1,411,022		
Service center	252,443			
Streets and drainage	1,473,241			
Culture and recreation	1,897,075	262,071		
Interest fiscal charges on long-term debt	<u>347,862</u>			
Total governmental activities	<u>13,164,641</u>	<u>3,279,932</u>	<u>144,001</u>	<u>53,940</u>
Business-type Activities:				
Water and sewer	<u>4,381,492</u>	<u>4,808,805</u>	<u>225,075</u>	
Total business-type activities	<u>4,381,492</u>	<u>4,808,805</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 17,546,133</u>	<u>\$ 8,088,737</u>	<u>\$ 369,076</u>	<u>\$ 53,940</u>
General Revenue:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes				
Industrial district				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
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
\$(1,182,523)	\$	\$(1,182,523)
(4,757,765)		(4,757,765)
(37,930)		(37,930)
(252,443)		(252,443)
(1,473,241)		(1,473,241)
(1,635,004)		(1,635,004)
(347,862)		(347,862)
<u>(9,686,768)</u>	<u>-0-</u>	<u>(9,686,768)</u>
	652,388	652,388
<u>-0-</u>	<u>652,388</u>	<u>652,388</u>
<u>(9,686,768)</u>	<u>652,388</u>	<u>(9,034,380)</u>
3,300,216		3,300,216
3,095,082		3,095,082
1,344,330		1,344,330
1,708,664		1,708,664
714,781	28,905	743,686
472,718		472,718
<u>175,000</u>	<u>(175,000)</u>	<u>-0-</u>
<u>10,810,791</u>	<u>(146,095)</u>	<u>10,664,696</u>
1,124,023	506,293	1,630,316
<u>41,290,357</u>	<u>17,570,697</u>	<u>58,861,054</u>
<u>\$ 42,414,380</u>	<u>\$ 18,076,990</u>	<u>\$ 60,491,370</u>

CITY OF CLUTE

Clute, Texas

Exhibit 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019**

	<u>Major Governmental Funds</u>				
	<u>General Fund</u>	<u>Streets, Drainage and Sidewalks Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets and Deferred Outflows of Resources</u>					
Assets:					
Cash and temporary investments	\$ 3,282,083	\$ 2,560,686	\$ 1,028,409	\$ 1,722,304	\$ 8,593,482
Investments	3,660,547	682,855	2,012,290		6,355,692
Receivables (net of allowance for uncollectibles):					
Property taxes	54,166			3,822	57,988
Other taxes	598,575			177,873	776,448
Accounts	159,456				159,456
Accrued interest	30,090				30,090
Due from other governments	856			64	920
Due from other funds		755,756	7,194		762,950
Prepaid expenditures	11,054				11,054
Long-term notes receivable	<u>4,362,987</u>				<u>4,362,987</u>
Total assets	<u>12,159,814</u>	<u>3,999,297</u>	<u>3,047,893</u>	<u>1,904,063</u>	<u>21,111,067</u>
Deferred Outflows of Resources:					
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 12,159,814</u>	<u>\$ 3,999,297</u>	<u>\$ 3,047,893</u>	<u>\$ 1,904,063</u>	<u>\$ 21,111,067</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 654,004	\$ 97,973		\$ 117,186	\$ 869,163
Accrued wages and benefits payable	80,476				80,476
Due to other funds	900,950				900,950
Unearned revenue	<u>23,791</u>				<u>23,791</u>
Total liabilities	<u>1,659,221</u>	<u>97,973</u>	<u>-0-</u>	<u>117,186</u>	<u>1,874,380</u>
Deferred Inflows of Resources:					
Deferred inflows of resources - property taxes	<u>48,305</u>			<u>3,504</u>	<u>51,809</u>
Total deferred inflows of resources	<u>48,305</u>	<u>-0-</u>	<u>-0-</u>	<u>3,504</u>	<u>51,809</u>
Fund Balance:					
Non-spendable	4,374,041				4,374,041
Restricted	132,402	3,901,324	3,047,893	1,783,373	8,864,992
Assigned	4,674,923				4,674,923
Unassigned	<u>1,270,922</u>				<u>1,270,922</u>
Total fund balances	<u>10,452,288</u>	<u>3,901,324</u>	<u>3,047,893</u>	<u>1,783,373</u>	<u>19,184,878</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,159,814</u>	<u>\$ 3,999,297</u>	<u>\$ 3,047,893</u>	<u>\$ 1,904,063</u>	<u>\$ 21,111,067</u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
September 30, 2019**

Total fund balances – governmental funds balance sheet \$ 19,184,878

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 in the funds. Capital assets include \$ 49,940,962 in assets less \$ 18,086,661 in accumulated depreciation.	31,854,301
Municipal court accounts receivable net of related allowance for uncollectibles are unavailable to pay for current period expenditures and availability of funds are uncertain as to availability are not recorded in the funds. Municipal court receivables (\$ 1,898,949 net of allowance for uncollectible accounts of \$ (1,143,775) of the general fund amounted to \$ 755,174.	755,174
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues amounted to \$ 51,809 (\$ 48,305 for the general fund and \$ 3,504 for the debt service fund).	51,809
TMRS pension deferred outflows of resources of \$ 1,402,578 and pension deferred inflows of resources of \$ 117,917.	1,284,661
TESRS Pension deferred outflows of resources of \$ 29,827 and pension deferred inflows of resources of \$ 7,503.	22,324
OPEB deferred outflows of resources of \$ 6,752 and deferred inflows of resources of \$ 7,704.	(952)
TMRS liabilities for net pension obligation are not reported in the funds.	(1,315,800)
TESRS liabilities for net pension obligation are not reported in the funds.	(129,037)
OPEB liabilities are not reported in the funds.	(203,474)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 232,788 (premium on sale of bonds of \$ 284,780 less amortization costs of \$ 51,992).	(232,788)
Payables for bond principal are not reported in the funds.	(7,890,000)
Payables for long-term Chapter 380 agreement of \$ 3,235,797 less prepaid Chapter 380 agreement of \$ 2,405,000 (\$ 3,700,000 less amortization of \$ 1,295,000).	(830,797)
Payables for long-term compensated absences are not reported in the funds.	(89,677)
Payables for accrued interest are not reported in the funds.	(46,242)
Net position of governmental activities - statement of net position.	<u>\$ 42,414,380</u>

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

CITY OF CLUTE

Clute, Texas

Exhibit 4

Page 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2019

	<u>Major Governmental Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Streets, Drainage and Sidewalks Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Non-Major Governmental Funds</u>	
Revenues:					
Property taxes	\$ 2,981,488	\$	\$	\$ 323,041	\$ 3,304,529
Sales tax	1,238,033	825,355	1,031,694		3,095,082
Other taxes	621,191			723,139	1,344,330
Industrial district	1,708,664				1,708,664
Intergovernmental	144,001				144,001
Revenue producing facilities	1,586,063			152,070	1,738,133
EMS revenues	696,016				696,016
Fines and fees	532,292				532,292
Licenses and fees	221,337				221,337
Investment income	427,899	104,251	167,315	15,316	714,781
Miscellaneous	<u>472,718</u>				<u>472,718</u>
Total revenues	<u>10,629,702</u>	<u>929,606</u>	<u>1,199,009</u>	<u>1,213,566</u>	<u>13,971,883</u>
Expenditures:					
Current:					
General government and administration	842,108	14,555	72,829		929,492
Public safety	5,400,852				5,400,852
Sanitation	1,263,880				1,263,880
Service center	215,693				215,693
Streets and drainage	953,505				953,505
Culture and recreation	788,806			790,643	1,579,449
Capital outlay	2,796,422	516,195			3,312,617
Debt Service:					
Principal retirement	405,536		20,412	400,000	825,948
Interest and fiscal charges	<u>63,504</u>			<u>291,072</u>	<u>354,576</u>
Total expenditures	<u>12,730,306</u>	<u>530,750</u>	<u>93,241</u>	<u>1,481,715</u>	<u>14,836,012</u>
Excess (deficiency) of revenues over expenditures	<u>(2,100,604)</u>	<u>398,856</u>	<u>1,105,768</u>	<u>(268,149)</u>	<u>(864,129)</u>

(continued)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - Continued**
For the Year Ended September 30, 2019

	<u>Major Governmental Funds</u>				
	<u>General Fund</u>	<u>Streets, Drainage and Sidewalks Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	\$ 5,327	\$	\$	\$	\$ 5,327
Issuance of bonds	1,795,000				1,795,000
Premium on issuance of bonds	12,024			79,237	91,261
Transfers in	932,839			350,622	1,283,461
Transfers out	<u> </u>	<u>(50,000)</u>	<u>(919,126)</u>	<u>(139,335)</u>	<u>(1,108,461)</u>
Total other financing sources (uses)	<u>2,745,190</u>	<u>(50,000)</u>	<u>(919,126)</u>	<u>290,524</u>	<u>2,066,588</u>
Change in fund balances	644,586	348,856	186,642	22,375	1,202,459
Fund balance, beginning	<u>9,807,702</u>	<u>3,552,468</u>	<u>2,861,251</u>	<u>1,760,998</u>	<u>17,982,419</u>
Fund balance, ending	<u>\$ 10,452,288</u>	<u>\$ 3,901,324</u>	<u>\$ 3,047,893</u>	<u>\$ 1,783,373</u>	<u>\$ 19,184,878</u>

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

**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, 2019**

Net change in fund balances – total governmental funds	\$ 1,202,459
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$ 3,312,616 exceeded depreciation \$ 1,808,273 in the current period.	1,504,343
Contributions of capital assets are not reported in the funds, however, contributions of capital assets are reported as capital contributions in the governmental activities statement of activities. During the current year, \$ 53,940 land was contributed to and accepted by the City.	53,940
Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 214,762 more than the amount reported in the funds.	(214,762)
Governmental funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was \$ 9,031 more than the amount reported in the funds.	(9,031)
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. The change in municipal court receivables, net of allowance, amounted to \$ 92,154.	92,154
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund decreased by \$ 5,427 and the debt service increased by \$ 1,114.	(4,313)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. These amounts were for general obligation bonded debt of \$ 605,000 and Chapter 380 agreement of \$ 220,948.	825,948
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term proceeds in the governmental fund were \$ 1,795,000.	(1,795,000)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. The amortization of bond premiums was \$ 15,382 and current proceed was \$ 91,261.	(75,879)
Net long-term liabilities and long-term prepaid expenses (Chapter 380 agreement debt of \$ 2,775,000 less prepaid expenses of \$ 2,405,000) are not reported in the governmental funds balance sheet. The difference represents current year amortization of prepaid expenses of \$ 370,000.	(370,000)

CITY OF CLUTE

Clute, Texas

Exhibit 4R

Page 2 of 2

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES - Continued**
For the Year Ended September 30, 2019

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt of \$ 8,668 less accrued compensated absences of \$ 2,403.

\$(6,265)

Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets (cost of \$ 126,252 less accumulated depreciation of \$ 46,681).

(79,571)

Change in net position of governmental activities

\$ 1,124,023

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

CITY OF CLUTE

Clute, Texas

Exhibit 5

Page 1 of 2

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2019

	<u>Enterprise Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Current Assets:	
Cash and temporary investments	\$ 3,095,596
Investments	407,152
Receivables (Net of Allowance for Uncollectibles):	
Utility accounts	288,205
Other	66,835
Due from other funds	138,000
Prepaid expenses	<u>183,523</u>
Total unrestricted current assets	<u>4,179,311</u>
Restricted Assets:	
Cash and temporary investments	<u>373,972</u>
Total restricted current assets	<u>373,972</u>
Total current assets	<u>4,553,283</u>
Capital Assets:	
Property, plant and equipment	34,439,919
Less accumulated depreciation	<u>(14,656,223)</u>
Total capital assets (net of accumulated depreciation)	19,783,696
Total assets	<u>24,336,979</u>
Deferred Outflows of Resources:	
Deferred outflows of resources	<u>153,097</u>
Total deferred outflows of resources	<u>153,097</u>
Total assets and deferred outflows of resources	<u>\$ 24,490,076</u>

CITY OF CLUTE

Clute, Texas

Exhibit 5

Page 2 of 2

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2019

	<u>Enterprise Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 160,228
Accrued compensated absences	2,244
Accrued interest payable	29,106
Bonds payable – current	401,163
Unearned revenue	<u>25,213</u>
Total current unrestricted liabilities	<u>617,954</u>
Current Liabilities Payable from Restricted Assets:	
Customer deposits payable	<u>373,972</u>
Total current restricted liabilities	<u>373,972</u>
Total current liabilities	<u>991,926</u>
Non-current Liabilities:	
Net pension liability	95,886
Total OPEB liability	14,729
Bonds payable - net	<u>5,301,451</u>
Total noncurrent liabilities	<u>5,412,066</u>
Total liabilities	<u>6,403,992</u>
Deferred Inflows of Resources:	
Deferred inflows of resources	<u>9,094</u>
Total deferred inflows of resources	<u>9,094</u>
Net Position:	
Net investment in capital assets	14,081,082
Unrestricted	<u>3,995,908</u>
Total net position	<u>18,076,990</u>
Total liabilities, deferred outflows of resources, and net position	<u>\$ 24,490,076</u>

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

CITY OF CLUTE

Clute, Texas

Exhibit 6

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND**

For the Year Ended September 30, 2019

	Enterprise Fund
Operating Revenues:	
Water service	\$ 2,134,965
Sewer service	2,017,540
Tapping and reconnection fees	131,910
Penalties	61,751
Intergovernmental	225,075
Other governments	322,207
Operating lease income	139,087
Miscellaneous	<u>1,345</u>
Total operating revenues	<u>5,033,880</u>
Operating Expenses:	
Administrative	513,050
Sewer treatment	2,450,400
Depreciation	<u>1,243,388</u>
Total operating expenses	<u>4,206,838</u>
Net operating income	<u>827,042</u>
Non-Operating Revenues (Expenses):	
Interest revenue	28,626
Unrealized gain on investments	279
Bond interest and fees	<u>(174,654)</u>
Total non-operating revenues (expenses)	<u>(145,749)</u>
Net income before transfers	681,293
Transfers out	<u>(175,000)</u>
Change in net position	506,293
Net position, beginning	<u>17,570,697</u>
Net position, ending	<u>\$ 18,076,990</u>

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

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CITY OF CLUTE

Clute, Texas

Exhibit 7

Page 1 of 2

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Year Ended September 30, 2019**

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 5,044,293
Payments from other funds	768,750
Payments to suppliers	(2,262,923)
Payments to and on behalf of employees	<u>(465,065)</u>
Net cash provided by operating activities	<u>3,085,055</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers to other funds	<u>(175,000)</u>
Net cash used by capital and related financing activities	<u>(175,000)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal bond payments	(380,000)
Interest and fees paid under debt obligations	(187,441)
Purchase of capital assets	<u>(483,814)</u>
Net cash used by capital and related financing activities	<u>(1,051,255)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(401,553)
Investment income	<u>28,905</u>
Net cash used by investing activities	<u>(372,648)</u>
Net change in cash and cash equivalents	1,486,152
Cash and cash equivalents at the beginning of year	<u>1,983,416</u>
Cash and cash equivalents at the end of the year	<u>\$ 3,469,568</u>

CITY OF CLUTE

Clute, Texas

Exhibit 7

Page 2 of 2

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND**

For the Year Ended September 30, 2019

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Activities:	
Net operating income	\$ <u>827,042</u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	1,243,388
(Increase) Decrease in:	
Accounts receivable	(18,515)
Other receivables	19,884
Due from other funds	768,750
Prepaid items	248,150
Deferred outflows of resources	(88,765)
Increase (Decrease) In:	
Accounts payable	(20,244)
Accrued wages and benefits payable	(1,632)
Accrued compensated absences	(60)
Customer deposits	5,730
Unearned revenue	3,314
Net pension liability	131,383
Net OPEB liability	(551)
Deferred inflows of resources	<u>(32,819)</u>
Total adjustments	<u>2,258,013</u>
Net cash provided by operating activities	<u>\$ 3,085,055</u>
Non-Cash Investing, Capital and Financing Activities:	
Unrealized gain on investments	\$ <u>279</u>
Net effect of non-cash transactions	<u>\$ 279</u>

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

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CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The City's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities. GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes. The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Primary Government

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Primary Government – continued

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14, and No. 34".

Component Unit

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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - continued

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has only one enterprise fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants 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 expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from property and sales taxes, grants and contracts, charges for services, licenses and permits, fines and forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - continued

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 and rentals.

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.

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 a 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 tax (one-third of all sales tax) and approved expenditures for providing parks and recreation facilities and infrastructure projects.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - continued

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.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The statement was implemented and did not have a material effect on the City's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. 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 periods beginning after December 15, 2018.

GASB No. 87 "Leases" was issued in June 2017. 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 periods beginning after December 15, 2019.

GASB No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" was issued in April 2018. 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 December 15, 2019.

GASB No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" was issued in June 2018. 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 December 15, 2019.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

GASB No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61" was issued in August 2018. 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 December 15, 2018.

GASB No. 91 "Conduit Debt Obligations" was issued in May 2019. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 92 "Omnibus 2020" was issued in January 2020. 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, 2020.

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, Debt Service, and Enterprise Fund to provide a meaningful comparison of actual results with the budget.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Cash and Cash Equivalents and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value. State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements, and other such securities or obligations as allowed in the Public Funds Investment Act (PFIA) as amended and approved by the City's Council. The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

Property Taxes

Taxes receivable and related allowance for uncollectible are reported in the General Fund. The City levies taxes on or about October 1, of each year. These taxes are due by January 31, and are considered delinquent after that date, at which time interest is charged at a rate established by the state property tax code. Collections made on or after July 1, are subject to an additional fifteen percent collection fee.

The assessed value of the property tax roll on August 1, 2018, upon which the levy for the 2018-19 fiscal year was based, was \$ 512,011,040. The tax rates assessed for the year ended September 30, 2019 was \$ 0.625000 to finance general fund operations and debt service was \$ 0.563238 and \$ 0.061762 per \$ 100 valuation, respectively.

Current tax collections for the year ended September 30, 2018 were 98.68% of the year-end adjusted tax levy. 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, 2019, property taxes receivable in the general fund was \$ 54,166 and debt service fund was \$ 3,822, net of estimated uncollectible taxes, totaling \$ 57,988.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. See Note 6 for additional discussion of interfund receivables, payables and transfers.

Inventories

The City uses the purchase method of accounting for inventory. In the purchase method of accounting for inventory, purchases of inventory items are recorded as expenditures when acquired and inventory on hand at the end of the period is recorded as an asset and a reservation of fund balance if significant. Inventory at September 30, 2019 was not significant and therefore, is not recorded.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension and total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB transactions, and related 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.

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

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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	50 Years
Sewer Plant	50 Years
Sewer System:	
Sewer lines	50 Years
Lift station pumps	15 Years
Water System:	
Water lines	50 Years
Storage tanks	50 Years
Water wells	40 Years
Equipment	5-20 Years
Vehicles	5-8 Years

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

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.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations - continued

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.

Fund Balance

The City Council meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the City Council. Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action by the City Council. When it is appropriate for fund balance to be assigned, the City Council has delegated authority to the Mayor or City Manager. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

The City utilizes GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal resolution or ordinance by the City Council.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance - continued

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by the to whom that authority has been given. The City Council delegates authority to the City Manager to assign funds. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Governmental Fund Financial Statements:

The following schedule presents details of fund balance components at September 30, 2019.

	<u>Major Funds</u>				
	<u>Special Revenue Funds</u>				
	General	Streets, Drainage & Sidewalks Fund	Economic Development Corporation Fund	Non-Major Govern- mental Funds	Total Govern- mental Funds
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Fund Balances:					
Non-spendable:					
Long-term receivables	\$ 4,362,987	\$	\$	\$	\$ 4,362,987
Prepaid expenditures	11,054				11,054
Restricted:					
Municipal court security	9,597				9,597
Municipal court technology	122,805				122,805
Streets, drainage and sidewalks		3,901,324			3,901,324
Economic development			3,047,893	1,724,228	4,772,121
Debt service				59,145	59,145
Assigned:					
Capital improvement	1,417,204				1,417,204
Equipment replacement	2,629,808				2,629,808
Chapter 380 agreement	561,227				561,227
Police operations	66,684				66,684
Unassigned	<u>1,270,922</u>				<u>1,270,922</u>
 Total fund balances	 <u>\$ 10,452,288</u>	 <u>\$ 3,901,324</u>	 <u>\$ 3,047,893</u>	 <u>\$ 1,783,373</u>	 <u>\$ 19,184,878</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

Net position represents the differences between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Net Position:			
Net investment in capital assets	\$ 23,907,550	\$ 14,081,082	\$ 37,988,632
Restricted:			
Long-term note receivable	4,362,987		4,362,987
Municipal court security	9,597		9,597
Municipal court technology	122,805		122,805
Streets, drainage and sidewalks	3,901,324		3,901,324
Economic development	4,772,121		4,772,121
Debt service	62,649		62,649
Unrestricted	<u>5,275,347</u>	<u>3,995,908</u>	<u>9,271,255</u>
Total net position	<u>\$ 42,414,380</u>	<u>\$ 18,076,990</u>	<u>\$ 60,491,370</u>

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, 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 temporary investment 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. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Cash and temporary investments, as reported on the statement of net position at September 30, 2019 (totals memorandum only) are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash accounts)	\$ 2,684	\$	\$ 2,684
Demand deposits	3,267,163	373,972	3,641,135
Texpool	<u>8,419,231</u>		<u>8,419,231</u>
Total cash and temporary investments	11,689,078	373,972	12,063,050
Investments:			
Certificates of deposit	401,248		401,248
U.S. Government agency securities	<u>6,361,596</u>		<u>6,361,596</u>
Total cash and temporary investments	6,762,844	-0-	6,762,844
Total	<u>\$ 18,451,922</u>	<u>\$ 373,972</u>	<u>\$ 18,825,894</u>

Deposits

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At September 30, 2019, in addition to petty cash of \$ 2,684, the carrying amount of the City's cash, savings, time deposits, and money markets was \$ 4,042,383. The financial institutions balances were \$ 4,418,817 at September 30, 2019. Bank balances of \$ 454,102 were covered by federal depository insurance, \$ 412,865 covered by securities depository insurance, \$ 3,551,850 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

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - 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

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - continued

At September 30, 2019 Texpool had a weighted average maturity of 36 days. Although Texpool portfolio had a weighted average maturity of 36 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 U.S. securities. The U.S. securities, which make up 100% of the City's investments with UBS, have a weighted average maturity of 3,958 days. Although the UBS portfolio had a weighted average maturity of 3,958 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, 2019.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pools (LGIP)	\$ 8,419,231	36
Certificate of deposit	401,248	41
U.S. Government Securities	<u>6,361,596</u>	3,958
	<u>\$ 15,182,075</u>	1,680

Credit Risk - As of September 30, 2019, the LGIPs (which represent approximately 55% of the City's portfolio) are rated AAAM by Standard and Poor's. Approximately 42% of the portfolio consists of direct obligations of the US government. The certificates of deposits (3% of the city's portfolio) are fully insured.

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

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government Securities	\$ <u>6,361,596</u>	\$ _____	\$ _____	\$ <u>6,361,596</u>
Total assets at fair value	\$ <u>6,361,596</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>6,361,596</u>

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2019, and holds no direct investments in derivatives at September 30, 2019.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Receivables as of September 30, 2019, 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	\$ 119,656	\$ 5,691	\$ 125,347
Sales	537,885		537,885
Mixed beverage	13,932		13,932
Hotel-Motel		177,873	177,873
Franchise fees	46,758		46,758
Other governments	856	64	920
Customer accounts	160,581		160,581
Accrued interest	<u>30,090</u>		<u>30,090</u>
Gross receivables	909,758	183,628	1,093,386
Less Allowance for Uncollectibles:			
Property taxes	65,490	1,869	67,359
Customer accounts	<u>1,125</u>		<u>1,125</u>
Net receivables	<u>\$ 843,143</u>	<u>\$ 181,759</u>	<u>\$ 1,024,902</u>
			<u>Total</u>
<u>Governmental Activities</u>			
Receivable:			
Taxes			\$ 901,795
Customer accounts			160,581
Municipal court			<u>1,898,949</u>
Gross receivables			2,961,325
Less Allowance for Uncollectibles:			
Taxes			67,359
Customer accounts			1,125
Municipal court			<u>1,143,775</u>
Net receivables			<u>\$ 1,749,066</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS - Continued

	<u>Business- Type Activities Enterprise Fund</u>
Receivables:	
Customer accounts	\$ 306,464
Other	<u>66,835</u>
Gross receivables	373,299
Less Allowance for Uncollectibles:	
Customer accounts	<u>18,259</u>
Net receivables	<u>\$ 355,040</u>

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, 2019, 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)	\$ 48,305	\$
Delinquent property taxes receivable (Debt Service Fund)	3,504	
Advance Receipts:		
Bonds	<u> </u>	<u>23,791</u>
Total unavailable/unearned revenue from governmental funds	<u>\$ 51,809</u>	<u>\$ 23,791</u>

As of September 30, 2019, the various components of unearned revenue reported in the proprietary funds were as follows:

	<u>Unearned Revenue</u>
Proprietary Funds:	
Unapplied water and sewer	<u>\$ 25,213</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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, 2018 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, 2019, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
Pension deferred inflows/outflows of resources less amortization - TMRS	\$ 1,038,350	\$ 117,917
Pension contributions subsequent to the measurement date - TMRS	364,228	
Pension deferred inflows/outflows of resources less amortization - TESRS	517	7,503
Pension contributions subsequent to the measurement date - TESRS	29,310	
OPEB Deferred inflows/outflows of resources less amortization - TMRS		7,704
OPEB contributions subsequent to the measurement date - TMRS	<u>6,752</u>	
Totals	<u>\$ 1,439,157</u>	<u>\$ 133,124</u>
<u>Business-Type Activities</u>		
Loss on refunding, net of amortization	\$ 51,100	\$
Pension deferred inflows/outflows of resources less amortization - TMRS	75,162	8,536
Pension contributions subsequent to the measurement date - TMRS	26,347	
OPEB Deferred inflows/outflows of resources less amortization - TMRS		558
OPEB contributions subsequent to the measurement date - TMRS	<u>488</u>	
Totals	<u>\$ 153,097</u>	<u>\$ 9,094</u>
Total TMRS pension deferred inflows and outflows of resources	<u>\$ 1,504,087</u>	<u>\$ 126,453</u>
Total TESRS pension deferred inflows and outflows of resources	<u>\$ 29,827</u>	<u>\$ 7,503</u>
Total OPEB deferred inflows and outflows of resources	<u>\$ 7,240</u>	<u>\$ 8,262</u>

As of September 30, 2019, unearned revenues reported in the governmental and business-type activities were \$ 23,791 and \$ 25,213.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2019 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds:		
Streets, Drainage & Sidewalks fund	\$	\$ 755,756
Economic Development fund		7,194
Enterprise fund		<u>138,000</u>
	<u>-0-</u>	<u>900,950</u>
Special Revenue Funds:		
Streets, Drainage & Sidewalks Fund:		
General fund	755,756	
Hotel-Morel fund:		
Great Texas Mosquito Festival fund	5,967	5,967
Economic Development Fund:		
General Fund	<u>7,194</u>	
	<u>768,917</u>	<u>5,967</u>
Enterprise Fund:		
General Fund	<u>138,000</u>	
Total	<u>\$ 906,917</u>	<u>\$ 906,917</u>

Interfund transfers for the year ended September 30, 2019 consisted of the following individual fund transfers in and transfers out:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Funds:		
Streets, Drainage and Sidewalks	\$ 50,000	\$
Economic Development Corporation	608,504	
Hotel-Motel	99,335	
Enterprise Fund	<u>175,000</u>	
	<u>932,839</u>	<u>-0-</u>
Special Revenue Funds:		
Streets, Drainage and Sidewalks:		
General Fund		50,000
Economic Development Corporation:		
General Fund		608,504
Debt Service Fund		310,622
Hotel-Motel:		
General Fund		99,335
Great Texas Mosquito Festival Fund		40,000
Great Texas Mosquito Festival Fund:		
Hotel-Motel Fund	<u>40,000</u>	
	<u>40,000</u>	<u>1,108,461</u>

(continued)

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Debt Service Fund:		
Special Revenue Fund:		
Economic Development Corporation	\$ <u>310,622</u>	\$ _____
Enterprise Fund:		
General Fund	_____	175,000
Total	\$ <u>1,283,461</u>	\$ <u>1,283,461</u>

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019 was as follows:

	<u>Balance 10-01-18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09-30-19</u>
Governmental Activities:				
Non-Depreciated Capital Assets:				
Land	\$ 398,660	\$ 53,950	\$ _____	\$ 452,610
Construction in progress	<u>8,056,504</u>	<u>402,572</u>	<u>4,746,755</u>	<u>3,712,321</u>
Total non-depreciated	<u>8,455,164</u>	<u>456,522</u>	<u>4,746,755</u>	<u>4,164,931</u>
Depreciated Capital Assets:				
Buildings and improvements	10,650,377	4,577,956		15,228,333
Furniture, equipment and vehicles	9,373,663	2,520,992	126,252	11,768,403
Infrastructure	<u>18,221,454</u>	<u>557,841</u>	_____	<u>18,779,295</u>
Total depreciated	<u>38,245,494</u>	<u>7,656,789</u>	<u>126,252</u>	<u>45,776,031</u>
Accumulated Depreciation:				
Buildings and improvements	3,545,207	265,934		3,811,141
Furniture, equipment and vehicles	6,570,069	976,156	46,681	7,499,544
Infrastructure	<u>6,209,793</u>	<u>566,183</u>	_____	<u>6,775,976</u>
Total accumulated depreciation	<u>16,325,069</u>	<u>1,808,273</u>	<u>46,681</u>	<u>18,086,661</u>
Net depreciated capital assets	<u>21,920,425</u>	<u>5,848,516</u>	<u>79,571</u>	<u>27,689,370</u>
Net capital assets	<u>\$ 30,375,589</u>	<u>\$ 6,305,038</u>	<u>\$ 4,826,326</u>	<u>\$ 31,854,301</u>

CITY OF CLUTE
Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2019

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10-01-18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09-30-19</u>
Business-type Activities:				
Non-Depreciated Capital Assets:				
Land	\$ 7,562	\$	\$	\$ 7,562
Construction in progress	<u>2,089,313</u>	<u>193,751</u>	<u>2,283,064</u>	<u>-0-</u>
Total non-depreciated	<u>2,096,875</u>	<u>193,751</u>	<u>2,283,064</u>	<u>7,562</u>
Depreciated Capital Assets:				
Buildings and improvements	546,114	45,055		591,169
Infrastructure	30,470,793	2,502,372		32,973,165
Furniture, equipment and vehicles	<u>842,323</u>	<u>25,700</u>		<u>868,023</u>
Total depreciated	<u>31,859,230</u>	<u>2,573,127</u>	<u>-0-</u>	<u>34,432,357</u>
Accumulated Depreciation:				
Buildings and improvements	330,359	13,805		344,164
Infrastructure	12,523,679	1,168,012		13,691,691
Furniture, equipment and vehicles	<u>558,797</u>	<u>61,571</u>		<u>620,368</u>
Total accumulated depreciation	<u>13,412,835</u>	<u>1,243,388</u>	<u>-0-</u>	<u>14,656,223</u>
Net depreciated capital assets	<u>18,446,395</u>	<u>1,329,739</u>	<u>-0-</u>	<u>19,776,134</u>
Net capital assets	<u>\$20,543,270</u>	<u>\$ 1,523,490</u>	<u>\$ 2,283,064</u>	<u>\$19,783,696</u>

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

Governmental Activities:	
General government and administration	\$ 67,572
Public safety	771,081
Sanitation	147,325
Service center	19,271
Streets and drainage	506,209
Culture and recreation	<u>296,815</u>
Total depreciation expense-governmental activities	<u>\$ 1,808,273</u>
Business-type Activities:	
Water and sewer	<u>\$ 1,243,388</u>
Total depreciation expense-business-type activities	<u>\$ 1,243,388</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 6 - CAPITAL ASSETS - Continued

Unexpended Construction Commitments

The City has entered into contracts for construction as of September 30, 2019 as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Construction Contracts: Governmental Activities:				
Woodshore development	\$ <u>4,237,285</u>	\$ <u>3,123,940</u>	\$ <u>1,113,345</u>	\$ _____
Total	\$ <u>4,237,285</u>	\$ <u>3,123,940</u>	\$ <u>1,113,345</u>	\$ <u>-0-</u>

There is no construction commitment in Business-Type Activities.

NOTE 7 - EMPLOYEE SICK LEAVE BENEFITS

The City's sick leave policy provides fifteen paid sick days per year and allows employees to carryover unused sick days to subsequent years. After five years of service, an employee will be paid up to eighty hours for unused sick leave at the time of resignation or termination. For the year ended September 30, 2019, the City had accrued sick leave in the governmental activities for \$ 89,677 and in the business-type activities for \$ 2,244.

The City's vacation policy does not allow unused vacation to carry over from one year to the next. Accordingly, no liability is recorded for accrued vacation.

NOTE 8 - 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, 2019.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City participates as one of 883 plans in the nontraditional, join contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plans also provide death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	87
Active employees	<u>94</u>
	239

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.59% and 10.25 % in the calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$ 512,477, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	<u>5.0%</u>	7.75%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance at 12/31/2017	\$ 20,790,661	\$ 21,325,385	\$(534,724)
Changes for the Year:			
Service cost	787,244		787,244
Interest	1,398,468		1,398,468
Difference between expected and actual experience	(62,702)		(62,702)
Contributions – employer		498,023	(498,023)
Contributions – employee		329,194	(329,194)
Net investment income		(637,624)	637,624
Benefit payment, including refunds of employee contributions	(932,476)	(932,476)	
Administrative expense		(12,346)	12,346
Other changes		(647)	647
Net changes	1,190,534	(755,876)	1,946,410
Balance at 12/31/2018	\$ 21,981,195	\$ 20,569,509	\$ 1,411,686

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

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's Net Pension Liability	\$ 4,575,525	\$ 1,411,686	\$(1,160,177)

Pension Plan Fiduciary Net Position

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

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

For the year ended September 30, 2019, the City recognized pension expense of \$ 702,684.

At September 30, 2019, 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	\$	\$ 126,453
Difference between projected and actual earnings	1,113,512	
Contributions subsequent to the measurement date	<u>390,575</u>	<u> </u>
 Total	 <u>\$ 1,504,087</u>	 <u>\$ 126,453</u>

\$ 390,575 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, 2020. 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>	
2020	\$ 313,863
2021	112,815
2022	144,966
2023	415,415

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

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 standalone financial report that is available to the public at www.tesrs.org.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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. On August 31, 2018, there were 238 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 departments. 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.

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

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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

The board rule defining contributions was amended effective July 27, 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 actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten 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. For the fiscal year ending August 31, 2018, total contributions of \$ 4,098,835 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$ 1,329,224 for the fiscal year ending August 31, 2018.

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 department in the City. During the measurement period of 2018 for fiscal 2019 reporting, the amount of the City's contributions recognized by the plan was \$ 28,550.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection below. The most recently completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$ 725,000 each year to pay for part of the System's administrative expenses.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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

E Net Pension Liability

The System's net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018. The City's proportionate share of net pension liability was \$ 129,039.

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

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 5.01%) and by adding expected inflation (3.0%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflected a reduction of 0.26% for adverse deviation. 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	32%	5.81%
Small cap domestic	15	5.92
Development international	15	6.21
Emerging markets	5	7.18
Master limited partnership	5	7.61
Real Estate	5	1.61
Fixed Income	<u>23</u>	4.46
Total	100%	
Weighted average		5.01%

CITY OF CLUTE
Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2019

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected 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.

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 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease In Discount Rate <u>(6.75%)</u>	Discount Rate <u>(7.75%)</u>	1% Increase In Discount Rate <u>(8.75%)</u>
City's Net Pension Liability	\$ <u>256,436</u>	\$ <u>129,037</u>	\$ <u>43,110</u>

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

At September 30, 2019, 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	\$ 35	\$ 372
Differences in assumption changes	482	
Differences between projected and actual earnings		7,131
Contributions subsequent to the measurement date	<u>29,310</u>	<u> </u>
Total	<u>\$ 29,827</u>	<u>\$ 7,503</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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

\$ 29,310 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, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30,</u>		
2020	\$	8,314
2021	(4,626)
2022	(6,808)
2023	(3,866)

For the year ended September 30 2019, the City recognized pension expense of \$ 40,905.

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

A. Plan Description

The City also 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 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. As such the SDBF is considered to be a single employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

B. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another employment benefit and is a fixed amount of \$ 7,500.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>94</u>
	140

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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

C. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.19% and 0.15% in the calendar years 2018 and 2019, of which 0.03% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for the year ended September 30, 2019 was \$ 9,312 representing contributions for both active and retiree coverage which equaled the required contributions. The City's contribution for retiree portion as of September 30, 2019 was \$ 1,470.

D. Total OPEB Liability

The City's total OPEB liability of \$ 218,203 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2018 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	3.50% to 10.5% including inflation
Discount rate	3.71%
Investment Rate of Return	A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled retirees, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period from December 31, 2010 to December 31, 2014.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability (a)</u>
Balance at 12/31/2017	\$ <u>225,081</u>
Changes for the Year:	
Service cost	11,287
Interest	7,614
Changes of benefit terms	0
Difference between expected and actual experience	(8,133)
Changes in assumption or other inputs	(16,235)
Benefit payments	<u>(1,411)</u>
Net changes	<u>(6,878)</u>
Balance at 12/31/2018	\$ <u><u>218,203</u></u>

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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease In Discount Rate <u>(2.71%)</u>	Discount Rate <u>(3.71%)</u>	1% Increase In Discount Rate <u>(4.71%)</u>
City's Total OPEB Liability	\$ <u>262,182</u>	\$ <u>218,203</u>	\$ <u>184,029</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$ 17,808.

At September 30, 2019, 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	\$	\$ 6,657
Differences in assumption changes		1,605
Contributions subsequent to the measurement date	<u>7,240</u>	<u> </u>
Total	\$ <u><u>7,240</u></u>	\$ <u><u>8,262</u></u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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

\$ 7,240 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>September 30,</u>	
2020	\$(1,093)
2021	(1,093)
2022	(1,093)
2023	(2,725)
2024	(2,258)

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, 2019 amounted to \$ 1,708,664.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

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, 2019 the City of Richwood's portion of these expenses was determined to be 21.04 percent, which amounted to \$ 268,466.

Further, the City of Richwood shares in 25 percent of maintenance costs (including capital acquisitions), which amounted to \$ 53,741 for the year ended September 30, 2019. 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 \$ 322,207 within the Enterprise Fund for the year ended September 30, 2019.

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, 2019, the City paid \$ 80,000 to the shelter for their portion to cover the administrative operating expenses.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended September 30, 2019

NOTE 14 - OPERATING LEASES

Lessee

The city is committed under leases for the following:

- 1) The City is committed under a lease for the use of 2.5 acres of land being utilized as a gun range for the Police Department. The lease is for the period October 2015 through September 2019. The lease contract was not renewed after September, 2019.
- 2) On March 27, 2017, the City obtained maintenance contracts on leased copiers and paid \$ 318.82 per month for sixty months from March 2017 through March 2022.
- 3) On May 27, 2017, the City leased two postage meters and pays \$ 30.99 per month and \$ 380.04 per quarter for five years from May 2017 through May 2022.
- 4) On July 27, 2017, the City leased copiers and paid \$ 391.72 per month for sixty months from July 2017 through June, 2022.
- 5) On September 7, 2018, the City leased copiers and paid \$ 740.00 per month for sixty months from September 2018 through September 2023.

For accounting purposes, these leases are considered operating leases.

Minimum future rentals to be paid on operating leases, as of September 30, 2019, for each of the next five years and in the aggregate are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Total</u>
2020	\$ 19,299
2021	19,299
2022	15,706
2023	<u>8,140</u>
	<u>\$ 62,444</u>

Gross rental expenditures for operating leases, for the year ended September 30, 2019 was \$ 21,698.

Lessor

On February 26, 2010, the City's Enterprise Fund entered into an inter-local waste water transmission line lease agreement, an operating lease, with the City of Richwood. The lease requires quarterly payments on January 15, April 15, July 15, and October 15 of each year from 2010 to 2025. The lease requires total payments of \$ 2,413,627 with varying quarterly payments. During the year ended September 30, 2019, the business-type activities reported revenues in the amount of \$ 139,087. The following are the minimal lease payments from Richwood required under this lease:

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 14 - OPERATING LEASES - Continued

Lessor - continued

<u>Year Ending September 30,</u>	<u>Total Requirements</u>
2020	\$ 140,987
2021	142,953
2022	144,989
2023	147,095
2024	149,275
2025-2026	<u>189,556</u>
Total	<u>\$ 914,855</u>

NOTE 15 - LONG-TERM DEBT

General Long-Term Debt

On October 20, 2005, the City issued \$ 3,500,000 of Series 2005 Certificates of Obligation Bonds. The bonds were for the acquisition, construction and improvements of certain public works.

On November 14, 2013, the City issued \$ 9,500,000 of Series 2013 Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation Bonds. The bond proceeds were split between general long-term debt (\$ 4,500,000) and the proprietary fund debt (\$ 5,000,000). The Bonds were for the purchase of land and construction of a new fire station, construction of new streets and drainage improvements, and landscaping.

On September 22, 2016, the City issued \$ 1,725,000 of Series 2016 Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation Bonds. The Bonds were for the purchase of capital equipment.

On October 11, 2018, the City issued \$ 1,795,000 of Series 2018 Combination Tax and Revenue Certificate of Obligation Bonds. The Bonds were for the purchase of capital equipment.

The certificates of obligation bonds payable at September 30, 2019 is summarized as follows:

<u>Purpose</u>	<u>Interest Rate (%)</u>	<u>Series Dates</u>			<u>Bonds Outstanding 09-30-19</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
Certificate Obligation Bonds, Series 2005	3.920	2005	2025	2007	\$ 1,415,000
Certificate Obligation Bonds, Series 2013	1.000 - 4.000	2013	2033	2024	3,380,000
Certificate Obligation Bonds, Series 2016	1.000 - 4.000	2016	2036	2036	1,400,000
Certificate of Obligation Bonds, Series 2018	3.000 - 4.000	2019	2033	2028	<u>1,695,000</u>
					<u>\$ 7,890,000</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 15 - LONG-TERM DEBT - Continued

General Long-Term Debt - continued

Certificate of obligation bond transactions for the year ended September 30, 2019 were as follows:

	<u>2019</u>
Bonds outstanding, October 1, 2018	\$ 6,700,000
Issued	1,795,000
Matured	<u>(605,000)</u>
Bonds outstanding, September 30, 2019	<u>\$ 7,890,000</u>

Aggregate maturities of certificate of obligation bonds for the years subsequent to September 30, 2019 are as follows:

	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 615,000	\$ 269,697	\$ 884,697
2021	625,000	249,419	874,419
2022	655,000	227,995	882,995
2023	680,000	205,129	885,129
2024	705,000	181,296	886,296
2025-2029	2,495,000	587,078	3,082,078
2026-2034	1,990,000	192,418	2,182,418
2035-2036	<u>125,000</u>	<u>3,825</u>	<u>128,825</u>
	<u>\$ 7,890,000</u>	<u>\$ 1,916,857</u>	<u>\$ 9,806,857</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 \$ 268,504 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 Obligation, Series 2013 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 (a special revenue fund) transferred funds in the amount of \$ 310,622 to the Debt Service Fund for the payment of the principal, interest, and fees of the Certificate of Obligation, Series 2013.

Proprietary Fund Debt

On August 19, 2009, the City issued \$ 3,000,000 of Series 2009 Combination Tax and Limited Pledge Revenue Certificates of Obligation Bonds. The bonds were acquired to provide improvements to the waterworks and sewer system and the payment of professional services related thereto, including costs of issuing the certificates.

On November 14, 2013, the City issued \$ 9,500,000 of Series 2013 Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation Bonds. The bond proceeds were split between general long-term debt (\$ 4,500,000) and the proprietary fund debt (\$ 5,000,000). Proceeds within the proprietary fund were for improvements to the City's utility system.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 15 - LONG-TERM DEBT - Continued

Proprietary Fund Debt - continued

On August 9, 2017, the City issued \$ 1,635,000 of Unlimited Tax Refunding Bonds, Series 2017, for the refunding of \$ 2,060,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation Bonds, Series 2009. The City placed the proceeds of the refunding issue in an escrow account. The escrow fund is irrevocably pledged to the payment of principal and interest on the issues being refunded. The difference between the cash flow to service the new debt and complete the refunding at the date of the refunding was \$ 252,034. The economic gain resulting from the transaction was \$ 213,913. The outstanding balance of the defeased bonds at September 30, 2019 was \$ -0- and the balance held in escrow was \$ -0-.

The certificates of obligation bonds payable at September 30, 2019 is as follows:

<u>Purpose</u>	<u>Interest Rate (%)</u>	<u>Series Dates</u>			<u>Bonds Outstanding 09-30-19</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
Certificate Obligation Bonds, Series 2009	2.000 – 5.750%	2009	2029	2019	\$ 300,000
Certificate Obligation Bonds, Series 2013	1.000 – 4.000%	2013	2033	2024	3,745,000
Certificate Obligation Bonds, Series 2017	4.000%	2017	2029	2034	<u>1,580,000</u>
					<u>\$ 5,625,000</u>

Certificate of obligation bond transactions for the year ended September 30, 2019 were as follows:

	<u>2019</u>
Bonds outstanding, October 1, 2018	\$ 6,005,000
Matured	<u>(380,000)</u>
Bonds outstanding, September 30, 2019	<u>\$ 5,625,000</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 15 - LONG-TERM DEBT - Continued

Proprietary Fund Debt - continued

Aggregate maturities of certificate of obligation bonds for the years subsequent to September 30, 2019 are as follows:

	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 390,000	\$ 170,902	\$ 560,902
2021	400,000	157,935	557,935
2022	410,000	146,063	556,063
2023	415,000	135,437	550,437
2024	425,000	124,609	549,609
2025-2029	2,330,000	437,023	2,767,023
2030-2033	<u>1,255,000</u>	<u>126,178</u>	<u>1,381,178</u>
	<u>\$ 5,625,000</u>	<u>\$ 1,298,147</u>	<u>\$ 6,923,147</u>

Changes in Long-Term Liabilities

Long-term liability for the governmental activities and the business-type activities for the year ended September 30, 2019:

	<u>Balance</u> <u>10-01-18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09-30-19</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
General obligation bonds	\$ 6,700,000	\$ 1,795,000	\$ 605,000	\$ 7,890,000	\$ 615,000
Chapter 380 agreement	3,456,745		220,948	3,235,797	
Premium (discount) on bonds	156,909	91,261	15,382	232,788	15,519
Net Pension Liability:					
TMRS		3,597,624	2,281,824	1,315,800	
TESRS	123,129	34,458	28,550	129,037	
Total OPEB liability	209,801	21,342	27,669	203,474	
Compensated absences	<u>92,080</u>	<u>32,177</u>	<u>34,580</u>	<u>89,677</u>	<u>35,000</u>
Total governmental activities	<u>10,738,664</u>	<u>5,571,862</u>	<u>3,213,953</u>	<u>13,096,573</u>	<u>665,519</u>
Business Type Activities:					
General obligation bonds	6,005,000		380,000	5,625,000	390,000
Premium (discount) on bonds	88,777		11,163	77,614	11,163
Net pension liability		261,058	165,172	95,886	
Total OPEB liability	15,280	1,189	1,740	14,729	
Compensated absences	<u>2,304</u>	<u>805</u>	<u>865</u>	<u>2,244</u>	<u>2,244</u>
Total business type activities	<u>6,111,361</u>	<u>263,052</u>	<u>558,940</u>	<u>5,815,473</u>	<u>403,407</u>
Total government (net)	<u>\$16,850,025</u>	<u>\$ 5,834,914</u>	<u>\$ 3,772,893</u>	<u>\$18,912,046</u>	<u>\$ 1,068,926</u>

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 16 - 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.

College Park Subdivision - Section 7A

On July 28, 2017 (Effective Date), the City entered into a Chapter 380 Performance Agreement (the "Agreement") with Woodland Development, LLC a Texas Limited Liability Company (the "Developer") as follows:

- The Developer owns certain tracts of land totaling twenty point four three five (20.435) acres within the corporate limits of the City (the "Property") for the development of the College Park Subdivision – Section 7A development (the "Project"); and,
- The Developer has agreed to construct certain public works and improvements including public streets and alleys, public access easements, drainage systems, water, wastewater, and storm drain systems, detention ponds, landscaping, and other public facilities in accordance with the terms of the Agreement and construct the qualified public improvements no later than December 31, 2018; and,

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 16 - CHAPTER 380 PERFORMANCE AGREEMENTS - Continued

College Park Subdivision - Section 7A - continued

- The City, pursuant to its Economic Development Authority, agreed to provide a non interest bearing construction loan (a maximum of \$ 1,450,000 of which may only be spent for the construction of new storm sewers, new sidewalks, new curbs and gutters, and new streets) to the Developer to finance the construction of the Public Improvements, to be evidenced by a Real Estate Lien Note, guaranteed by the owners of the Developer, and secured further by a Deed of Trust for all twenty point four three five (20.435) acres of land in the Project; and,
- The Developer agreed to sub-divide the real property into sixty-seven (67) building lots and to repay the City \$ 22,500 or a sum equal to seventy-five percent (75%) of the sales price of each lot, provided, however any of the principal not so repaid shall be due and payable in full in four years (1,460 days) after August 13, 2013 (the date the City accepted the Project as completed).

During the year ended September 30, 2017, the City adopted a resolution and advanced \$ 1,450,000 (\$ 750,000 from the Streets, Drainage and Sidewalk Special Revenue Fund and \$ 700,000 from the Water and Sewer Enterprise Fund) to the Chapter 380 Fund (Sub-Fund of the General Fund) for purposes of funding the Project. As of September 30, 2019, the City had funded \$ 1,450,000 of the construction loan to the Developer and the Developer had repaid \$ 1,062,000 from the sale of lots leaving a construction loan balance of \$ 388,000.

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

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 16 - 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 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 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, 2019, the City advanced a total of \$ 5,088,831 for qualified public improvements, a total of \$ 1,113,845 had been received from the developer from the sale of lots, As of September 30, 2019, there is a note receivable balance of \$ 3,974,986.

Kroger Development

On June 26, 2014 the City entered into a Chapter 380 Performance Agreement (the "Agreement") with SEC Oyster Creek/Dixie, LTD, a Texas Limited Partnership (the "Developer") as follows:

- The City agrees to pay the Developer a total of \$ 3,700,000 in the form of annual payments made from the annual sales tax collected by the Developer and an annual rebate of property taxes collected from the property for a period of ten years.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 16 - CHAPTER 380 PERFORMANCE AGREEMENTS - Continued

Kroger Development - continued

- The City's annual payment from sales tax collections will be based on 100% of sales tax which is collected in excess of a base sales tax amount of \$ 1,049,806 annually, amended to \$ 250,000, see below.
- The property tax rebate portion of the payment will be calculated annually based on the actual property taxes collected from all tenants on the property.
- At the end of the 10 year period the City agrees to pay any deficit in total aggregate payments per this agreement which is less than \$ 3,700,000. The City will have one year following the 10 year term to pay any remaining balance.
- The City agrees to pay up to \$ 200,000 for the construction of traffic lights at this same location.
- The City also agrees to pay \$ 50,000 for sidewalks which are located at the vicinity of the traffic light and the Developer's property.

On June 11, 2015 the City amended the Chapter 380 Performance Agreement (the "Agreement") with SEC Oyster Creek/Dixie, LTD, a Texas Limited Partnership (the "Developer") as follows:

- The City's "Annual Sales Tax Collected at the Project" is defined as (i) the actual amount of the 0.6% general sales and use taxes authorized by the Texas Tax Code and received by the City for sales at the project plus (ii) the actual amount of the 0.5% economic development sales tax collected and received by the Economic Development Corporation (EDC) for sales at the project minus (iii) the Original Super Store Sales Tax, defined as \$ 250,000. The EDC agrees to pay the economic development sales tax as provided above and the City agrees to make payment of the economic development sales tax on behalf of the EDC.

During the year ended September 30, 2016 the City has funded \$ 200,000 for the construction of the traffic lights and during the year ended September 30, 2018, the City funded the \$ 50,000 for sidewalk construction. As of September 30, 2019 \$ 464,203 has been funded toward the \$ 3,700,000 sales tax commitment. The \$ 3,700,000 has been recorded in governmental activities as a long term asset and liability and has a balance of \$ 3,235,797 as of September 30, 2019.

NOTE 17 - TAX ABATEMENTS

The City has not entered into any property tax abatement agreements with local businesses. The City has worked with local businesses through their Industrial District Contracts (see Note 12) and Chapter 380 Agreements (Note 16). Should the City enter into any tax abatement agreements, the City Council must first approve the agreements.

CITY OF CLUTE

Clute, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended September 30, 2019

NOTE 18 - 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 19 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 19, 2020, the date which the financial statements were available to be issued.

NOTE 20 - DEFICIT FUND BALANCE

As of September 30, 2019, the following fund had a deficit fund balance:

	<u>2019</u>
Fund Balance:	
Special Revenue Funds:	
Great Texas Mosquito Festival Fund	\$ <u>7,423</u>

The deficit balance will either be offset by future revenues or reimbursed by other funds. The special revenue fund would be reimbursed by the General Fund.

NOTE 21 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations for the year ended September 30, 2019 for the following funds:

Special Revenue Fund:	
Great Texas Mosquito Festival	\$ <u>27,554</u>

The expenditures were approved by City Council; however, the budget was not amended.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLUTE

Clute, Texas

Exhibit 8

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 3,085,884	\$ 3,085,884	\$ 2,981,488	\$(104,396)
Sales tax	1,325,000	1,325,000	1,238,033	(86,967)
Other taxes	521,000	521,000	621,191	100,191
Industrial district	1,540,000	1,540,000	1,708,664	168,664
Intergovernmental revenues	7,500	117,785	144,001	26,216
Revenue producing facilities	1,532,000	1,532,000	1,586,063	54,063
EMS revenues	903,250	903,250	696,016	(207,234)
Fines and fees	461,000	461,000	532,292	71,292
Licenses and fees	292,300	292,300	221,337	(70,963)
Investment income	44,930	44,930	427,899	382,969
Miscellaneous	383,585	383,585	472,718	89,133
Total revenues	10,096,449	10,206,734	10,629,702	422,968
Expenditures:				
Current:				
General government and administration	1,024,715	1,024,715	842,108	182,607
Public safety	5,702,661	5,750,917	5,400,852	350,065
Sanitation	1,257,237	1,257,237	1,263,880	(6,643)
Service center	234,760	234,760	215,693	19,067
Streets and drainage	874,074	874,074	953,505	(79,431)
Culture and recreation	930,828	930,828	788,806	142,022
Capital outlay	1,499,960	4,615,864	2,796,422	1,819,442
Debt Service:				
Principal retirement	571,320	571,320	405,536	165,784
Interest and fiscal charges	63,504	63,504	63,504	
Total expenditures	12,159,059	15,323,219	12,730,306	2,592,913
Excess (deficiency) of revenues over expenditures	(2,062,610)	(5,116,485)	(2,100,604)	3,015,881
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	20,000	20,000	5,327	(14,673)
Issuance of bonds		1,795,000	1,795,000	-0-
Premium on issuance of bonds		12,024	12,024	-0-
Transfers in	2,687,839	431,745	932,839	501,094
Total other financing sources (uses)	2,707,839	2,258,769	2,745,190	486,421
Change in fund balances	645,229	(2,857,716)	644,586	3,502,302
Fund balance, beginning	9,807,702	9,807,702	9,807,702	-0-
Fund balance, ending	\$ 10,452,931	\$ 6,949,986	\$ 10,452,288	\$ 3,502,302

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUND (STREETS, DRAINAGE AND SIDEWALK)
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 800,000	\$ 800,000	\$ 825,355	\$ 25,355
Investment income	<u>13,000</u>	<u>13,000</u>	<u>104,251</u>	<u>91,251</u>
Total revenues	<u>813,000</u>	<u>813,000</u>	<u>929,606</u>	<u>116,606</u>
Expenditures:				
Current:				
General government and administration			14,555	(14,555)
Capital outlay	<u>983,500</u>	<u>983,500</u>	<u>516,195</u>	<u>467,305</u>
Total expenditures	<u>983,500</u>	<u>983,500</u>	<u>530,750</u>	<u>452,750</u>
Excess (deficiency) of revenues over expenditures	<u>(170,500)</u>	<u>(170,500)</u>	<u>398,856</u>	<u>569,356</u>
Other Financing Uses:				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-0-</u>
Total other financing uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-0-</u>
Change in fund balance	<u>(220,500)</u>	<u>(220,500)</u>	<u>348,856</u>	<u>569,356</u>
Fund balance, beginning	<u>3,552,468</u>	<u>3,552,468</u>	<u>3,552,468</u>	<u>-0-</u>
Fund balance, ending	<u>\$ 3,331,968</u>	<u>\$ 3,331,968</u>	<u>\$ 3,901,324</u>	<u>\$ 569,356</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUND (ECONOMIC DEVELOPMENT CORPORATION)
For the Year Ended September 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 1,000,000	\$ 1,000,000	\$ 1,031,694	\$ 31,694
Investment income	<u>38,500</u>	<u>38,500</u>	<u>167,315</u>	<u>128,815</u>
Total revenues	<u>1,038,500</u>	<u>1,038,500</u>	<u>1,199,009</u>	<u>160,509</u>
Expenditures:				
Current:				
General government and administration	33,000	20,000	72,829	(52,829)
Streets and drainage	130,000	155,000		155,000
Debt Service:				
Principal retirement	<u>95,000</u>	<u>95,000</u>	<u>20,412</u>	<u>74,588</u>
Total expenditures	<u>258,000</u>	<u>270,000</u>	<u>93,241</u>	<u>176,759</u>
Excess of revenues over expenditures	<u>780,500</u>	<u>768,500</u>	<u>1,105,768</u>	<u>337,268</u>
Other Financing Uses:				
Transfers out	<u>(925,000)</u>	<u>(925,000)</u>	<u>(919,126)</u>	<u>5,874</u>
Total other financing uses	<u>(925,000)</u>	<u>(925,000)</u>	<u>(919,126)</u>	<u>5,874</u>
Change in fund balance	(144,500)	(156,500)	186,642	343,142
Fund balance, beginning	<u>2,861,251</u>	<u>2,861,251</u>	<u>2,861,251</u>	<u>-0-</u>
Fund balance, ending	<u>\$ 2,716,751</u>	<u>\$ 2,704,751</u>	<u>\$ 3,047,893</u>	<u>\$ 343,142</u>

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CITY OF CLUTE

Clute, Texas

SCHEDULE OF TMRS CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS FOR THE LAST TEN YEARS⁽¹⁾ WITH MEASUREMENT DATE OF DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost	\$ 787,244	\$ 757,138	\$ 686,526	\$ 618,897
Interest (on the Total Pension Liability)	1,398,468	1,325,576	1,274,557	1,265,868
Difference between expected and actual experience	(62,702)	(172,275)	(274,645)	(320,136)
Changes in assumptions				161,057
Benefit payments, including refunds of employee contributions	<u>(932,476)</u>	<u>(758,747)</u>	<u>(1,173,072)</u>	<u>(748,914)</u>
Net Change in Total Pension Liability	1,190,534	1,151,692	513,366	976,772
Total Pension Liability – Beginning	<u>20,790,661</u>	<u>19,638,969</u>	<u>19,125,603</u>	<u>18,148,831</u>
Total Pension Liability – Ending (a)	<u>\$ 21,981,195</u>	<u>\$ 20,790,661</u>	<u>\$ 19,638,969</u>	<u>\$ 19,125,603</u>
Contributions – Employer	\$ 498,023	\$ 492,209	\$ 409,449	\$ 420,803
Contributions – Employee	329,194	317,553	287,766	277,888
Net Investment Income	(637,624)	2,586,965	1,214,296	26,583
Benefit payments, including refunds of employee contributions	(932,476)	(758,747)	(1,173,072)	(748,914)
Administrative expense	(12,346)	(13,433)	(13,721)	(16,194)
Other	<u>(647)</u>	<u>(679)</u>	<u>(739)</u>	<u>(800)</u>
Net Change in Plan Fiduciary Net Position	(755,876)	2,623,868	723,979	(40,634)
Plan Fiduciary Net Position – Beginning	<u>21,325,385</u>	<u>18,701,517</u>	<u>17,977,538</u>	<u>18,018,172</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 20,569,509</u>	<u>\$ 21,325,385</u>	<u>\$ 18,701,517</u>	<u>\$ 17,977,538</u>
Net Pension Liability/(Asset) (a-b)	<u>\$ 1,411,686</u>	<u>\$ (534,724)</u>	<u>\$ 937,452</u>	<u>\$ 1,148,065</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>93.58%</u>	<u>102.57%</u>	<u>95.23%</u>	<u>94.00%</u>
Covered Payroll	<u>\$ 4,702,771</u>	<u>\$ 4,281,940</u>	<u>\$ 4,110,937</u>	<u>\$ 3,960,993</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>30.02%</u>	<u>(12.49)%</u>	<u>22.80%</u>	<u>28.98%</u>

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>2014</u>
\$ 570,571
1,229,598
(470,415)
<u>(922,660)</u>
407,094
<u>17,741,737</u>
<u>\$ 18,148,831</u>
\$ 424,399
264,306
988,195
(922,660)
(10,318)
<u>(848)</u>
743,074
<u>17,275,098</u>
<u>\$ 18,018,172</u>
<u>\$ 130,659</u>
<u>99.28%</u>
<u>\$ 3,775,801</u>
<u>3.46%</u>

CITY OF CLUTE

Clute, Texas

**SCHEDULE OF TMRS CONTRIBUTIONS
FOR THE LAST TEN YEARS ⁽¹⁾ ENDED SEPTEMBER 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 512,477	\$ 492,209	\$ 409,449	\$ 420,803
Contributions in relation to the actuarially determined contribution	<u>512,477</u>	<u>492,209</u>	<u>409,449</u>	<u>420,803</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	<u>\$ 4,961,593</u>	<u>\$ 4,536,477</u>	<u>\$ 4,110,937</u>	<u>\$ 3,960,993</u>
Contributions as a percentage of covered payroll	<u>10.33%</u>	<u>10.85%</u>	<u>9.96%</u>	<u>10.62%</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	27 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB

Other Information

Notes There were no benefit changes during the year.

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, until a full ten-year trend is compiled, only available information is shown.

2015
\$ 424,399
424,399
\$ -0-
\$ 3,755,801
11.24%

CITY OF CLUTE

Clute, Texas

SCHEDULE OF TESRS PROPORTIONATE SHARE OF NET PENSION LIABILITY AND RELATED RATIOS
THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY
FOR THE LAST TEN YEARS⁽¹⁾ WITH MEASUREMENT DATE OF AUGUST 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	<u>0.5960%</u>	<u>0.5130%</u>	<u>0.7330%</u>	<u>0.7280%</u>
City' proportionate share of the net pension liability	<u>\$ 129,037</u>	<u>\$ 123,129</u>	<u>\$ 168,083</u>	<u>\$ 159,361</u>
Plan fiduciary position as a percentage of total pension liability	<u>84.30%</u>	<u>81.40%</u>	<u>76.30%</u>	<u>76.90%</u>

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2014
0.5960%
\$ 106.433
83.50%

CITY OF CLUTE

Clute, Texas

**SCHEDULE OF TESRS REQUIRED CONTRIBUTIONS
THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY
FOR THE LAST TEN YEARS⁽¹⁾ ENDED SEPTEMBER 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 29,310	\$ 24,815	\$ 25,375	\$ 25,600
Contributions in relation to the actuarially determined contribution	<u>29,310</u>	<u>24,815</u>	<u>25,375</u>	<u>25,600</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2015
\$ 24,900
24,900
\$ -0-

**SCHEDULE OF TMRS CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS⁽¹⁾ WITH MEASUREMENT DATE OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Service cost	\$ 11,287	\$ 9,527
Interest (on the Total OPEB Liability)	7,614	7,390
Changes in assumptions	(16,235)	18,342
Difference between expected and actual experience	(8,133)	
Benefit payments, including refunds of employee contributions	<u>(1,411)</u>	<u>(1,815)</u>
Net Change in Total OPEB Liability	(6,878)	33,444
Total OPEB Liability – Beginning	<u>225,081</u>	<u>191,637</u>
Total OPEB Liability – Ending	<u>\$ 218,203</u>	<u>\$ 225,081</u>
Covered Payroll	<u>\$ 4,702,771</u>	<u>\$ 4,281,940</u>
Net OPEB Liability as a Percentage of Covered Payroll	<u>4.64%</u>	<u>5.26%</u>

Notes to Schedule:

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:

2018	3.31%
2017	3.78%

(1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

OTHER SCHEDULES

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CITY OF CLUTE

Clute, Texas

Exhibit 16

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2019

	<u>Special Revenue Funds</u>			
	Hotel- Motel Fund	Great Texas Mosquito Festival Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets and Deferred Outflows of Resources				
Assets:				
Cash and temporary investments	\$ 1,663,541	\$	\$ 58,763	\$ 1,722,304
Receivables:				
Property taxes (less allowance for Uncollectible)			3,822	3,822
Hotel/Motel taxes	177,873			177,873
Due from other funds	5,967			5,967
Due from other governments			64	64
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	1,847,381	-0-	62,649	1,910,030
Deferred Outflows of Resources:				
Total deferred outflows of resources				-0-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets and deferred outflows of resources	<u>\$ 1,847,381</u>	<u>\$ -0-</u>	<u>\$ 62,649</u>	<u>\$ 1,910,030</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 115,730	\$ 1,456	\$	\$ 117,186
Due to other funds		5,967		5,967
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	115,730	7,423	-0-	123,153
Deferred Inflows of Resources:				
Deferred inflows of resources			3,504	3,504
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	-0-	-0-	3,504	3,504
Fund Balance:				
Restricted:				
Economic development	1,731,651	(7,423)		1,724,228
Debt Service			59,145	59,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,731,651	(7,423)	59,145	1,783,373
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 1,847,381</u>	<u>\$ -0-</u>	<u>\$ 62,649</u>	<u>\$ 1,910,030</u>

CITY OF CLUTE

Clute, Texas

Exhibit 17

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2019

	<u>Special Revenue Funds</u>			Total
	Hotel- Motel Fund	Great Texas Mosquito Festival	Debt Service Fund	Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Property taxes	\$	\$	\$ 323,041	\$ 323,041
Hotel/Motel taxes	723,139			723,139
Revenue producing facilities		152,070		152,070
Investment income	<u>13,627</u>	<u>1,689</u>		<u>15,316</u>
Total revenues	<u>736,766</u>	<u>153,759</u>	<u>323,041</u>	<u>1,213,566</u>
Expenditures:				
Current:				
Culture and Recreation	479,219	311,424		790,643
Debt Service:				
Principal retirement			400,000	400,000
Interest and fiscal charges			<u>291,072</u>	<u>291,072</u>
Total expenditures	<u>479,219</u>	<u>311,424</u>	<u>691,072</u>	<u>1,481,715</u>
Excess (deficiency) of revenues over expenditures	<u>257,547</u>	<u>(157,665)</u>	<u>(368,031)</u>	<u>(268,149)</u>
Other Financing Sources (Uses):				
Premium on issuance of bonds			79,237	79,237
Transfers in		40,000	310,622	350,622
Transfers out	<u>(139,335)</u>			<u>(139,335)</u>
Total other financing sources (uses)	<u>(139,335)</u>	<u>40,000</u>	<u>389,859</u>	<u>290,524</u>
Change in fund balances	118,212	(117,665)	21,828	22,375
Fund balance - beginning	<u>1,613,439</u>	<u>110,242</u>	<u>37,317</u>	<u>1,760,998</u>
Fund balance - ending	<u>\$ 1,731,651</u>	<u>\$ (7,423)</u>	<u>\$ 59,145</u>	<u>\$ 1,783,373</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND (HOTEL-MOTEL)
For the Year Ended September 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Hotel-Motel taxes	\$ 675,000	\$ 675,000	\$ 723,139	\$ 48,139
Revenue producing facilities	1,500	1,500		(1,500)
Investment income	3,500	3,500	13,627	10,127
Total revenues	<u>680,000</u>	<u>680,000</u>	<u>736,766</u>	<u>56,766</u>
Expenditures:				
Current:				
Culture and Recreation	<u>542,362</u>	<u>548,679</u>	<u>479,219</u>	<u>69,460</u>
Total expenditures	<u>542,362</u>	<u>548,679</u>	<u>479,219</u>	<u>69,460</u>
Excess of revenues over expenditures	<u>137,638</u>	<u>131,321</u>	<u>257,547</u>	<u>126,226</u>
Other Financing Uses:				
Transfers out	(139,335)	(139,335)	(139,335)	-0-
Total other financing uses	(139,335)	(139,335)	(139,335)	-0-
Change in fund balance	(1,697)	(8,014)	118,212	126,226
Fund balance, beginning	<u>1,613,439</u>	<u>1,613,439</u>	<u>1,613,439</u>	<u>-0-</u>
Fund balance, ending	<u>\$ 1,611,742</u>	<u>\$ 1,605,425</u>	<u>\$ 1,731,651</u>	<u>\$ 126,226</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND (GREAT TEXAS MOSQUITO FESTIVAL)
For the Year Ended September 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue producing facilities	\$ 163,000	\$ 163,000	\$ 152,070	\$(10,930)
Investment income	<u>1,000</u>	<u>1,000</u>	<u>1,689</u>	<u>689</u>
Total revenues	<u>164,000</u>	<u>164,000</u>	<u>153,759</u>	<u>(10,241)</u>
Expenditures:				
Current:				
Culture and Recreation	<u>283,870</u>	<u>283,870</u>	<u>311,424</u>	<u>(27,554)</u>
Total expenditures	<u>283,870</u>	<u>283,870</u>	<u>311,424</u>	<u>(27,554)</u>
Excess (deficiency) of revenues over expenditures	<u>(119,870)</u>	<u>(119,870)</u>	<u>(157,665)</u>	<u>(37,795)</u>
Other Financing Sources:				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-0-</u>
Total other financing sources	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-0-</u>
Change in fund balance	<u>(79,870)</u>	<u>(79,870)</u>	<u>(117,665)</u>	<u>(37,795)</u>
Fund balance, beginning	<u>110,242</u>	<u>110,242</u>	<u>110,242</u>	<u>-0-</u>
Fund balance, ending	<u>\$ 30,372</u>	<u>\$ 30,372</u>	<u>\$(7,423)</u>	<u>\$(37,795)</u>

CITY OF CLUTE

Clute, Texas

Exhibit 20

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 366,000	\$ 366,000	\$ 323,041	\$ (42,959)
Total revenues	<u>366,000</u>	<u>366,000</u>	<u>323,041</u>	<u>(42,959)</u>
Expenditures:				
Debt Service:				
Principal retirement	390,000	390,000	400,000	(10,000)
Interest and fiscal charges	<u>291,222</u>	<u>370,459</u>	<u>291,072</u>	<u>79,387</u>
Total expenditures	<u>681,222</u>	<u>760,459</u>	<u>691,072</u>	<u>69,387</u>
Excess (deficiency) of revenues over expenditures	<u>(315,222)</u>	<u>(394,459)</u>	<u>(368,031)</u>	<u>26,428</u>
Other Financing Sources:				
Premium on issuance of bonds		79,237	79,237	
Transfers in	<u>310,622</u>	<u>310,622</u>	<u>310,622</u>	<u>-0-</u>
Total other financing sources	<u>310,622</u>	<u>389,859</u>	<u>389,859</u>	<u>-0-</u>
Change in fund balance	(4,600)	(4,600)	21,828	26,428
Fund balance, beginning	<u>37,317</u>	<u>37,317</u>	<u>37,317</u>	<u>-0-</u>
Fund balance, ending	<u>\$ 32,717</u>	<u>\$ 32,717</u>	<u>\$ 59,145</u>	<u>\$ 26,428</u>

CITY OF CLUTE

Clute, Texas

**CONSOLIDATED SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND
FUND BALANCE - GENERAL FUND - SUB-FUNDS
September 30, 2019**

	<u>Operating</u>	<u>Chapter 380</u>	<u>Capital Improvement</u>
ASSETS AND DEFERRED INFLOWS OF RESOURCES			
Assets:			
Cash and temporary investments	\$ 1,237,067	\$	\$ 1,417,204
Investments	1,484,511		
Receivables (Net of Allowance of Uncollectibles):			
Ad valorem taxes	54,166		
Other taxes	598,575		
Accounts	159,426		
Accrued interest	30,090		
Due from other governments	856		
Prepaid expenditures	11,054		
Long-term notes receivable		4,362,987	
Intrafund – due from (to)	<u>1,792,916</u>	<u>(3,474,987)</u>	<u> </u>
 Total assets	 <u>5,368,661</u>	 <u>888,000</u>	 <u>1,417,204</u>
Deferred Outflows of Resources:			
Deferred outflows of resources	<u> </u>	<u> </u>	<u> </u>
 Total deferred outflows of resources	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>
 Total assets and deferred outflows of resources	 <u>\$ 5,368,661</u>	 <u>\$ 888,000</u>	 <u>\$ 1,417,204</u>

<u>Unemployment Insurance</u>	<u>Beautification</u>	<u>Equipment Replacement</u>	<u>Forfeiture</u>	<u>Section 125 Plan</u>	<u>Total</u>
\$ 154,354	\$ 35,087	\$ 249,436 2,021,682	\$ 90,475	\$ 252,814	\$ 3,282,083 3,660,547
					54,166
					598,575
	30				159,456
					30,090
					856
					11,054
					4,362,987
(17,929)		1,700,000			-0-
<u>136,425</u>	<u>35,117</u>	<u>3,971,118</u>	<u>90,475</u>	<u>252,814</u>	<u>12,159,814</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 136,425</u>	<u>\$ 35,117</u>	<u>\$ 3,971,118</u>	<u>\$ 90,475</u>	<u>\$ 252,814</u>	<u>\$ 12,159,814</u>

CITY OF CLUTE

Clute, Texas

**CONSOLIDATED SCHEDULE OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES,
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND
FUND BALANCE - GENERAL FUND - SUB-FUNDS
September 30, 2019**

	<u>Operating</u>	<u>Chapter 380</u>	<u>Capital Improvement</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 647,079	\$	\$
Accrued wages and benefits payable	80,476		
Due to other funds	12,950	888,000	
Unearned revenue			
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>740,505</u>	<u>888,000</u>	<u>-0-</u>
Deferred Inflows of Resources:			
Deferred inflows of resources – property taxes	<u>48,305</u>		
	<u>48,305</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:			
Non-Spendable:			
Long-term note receivable		4,362,987	
Prepaid expenditures	11,054		
Restricted:			
Municipal court security	9,597		
Municipal court technology	122,805		
Assigned:			
Capital improvement			1,417,204
Equipment replacement			
Police department			
Chapter 380 agreement	561,227		
Unassigned	<u>3,875,168</u>	<u>(4,362,987)</u>	
	<u>4,579,851</u>	<u>-0-</u>	<u>1,417,204</u>
Total fund balances	<u>4,579,851</u>	<u>-0-</u>	<u>1,417,204</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,368,661</u>	<u>\$ 888,000</u>	<u>\$ 1,417,204</u>

<u>Unemployment Insurance</u>	<u>Beautification</u>	<u>Equipment Replacement</u>	<u>Forfeiture</u>	<u>Section 125 Plan</u>	<u>Total</u>
\$ 6,925	\$	\$	\$	\$	\$ 654,004
					80,476
					900,950
			23,791		23,791
<u>6,925</u>	<u>-0-</u>	<u>-0-</u>	<u>23,791</u>	<u>-0-</u>	<u>1,659,221</u>
					48,305
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>48,305</u>
					4,362,987
					11,054
					9,597
					122,805
					1,417,204
		2,629,808			2,629,808
			66,684		66,684
					561,227
<u>129,500</u>	<u>35,117</u>	<u>1,341,310</u>		<u>252,814</u>	<u>1,270,922</u>
<u>129,500</u>	<u>35,117</u>	<u>3,971,118</u>	<u>66,684</u>	<u>252,814</u>	<u>10,452,288</u>
<u>\$ 136,425</u>	<u>\$ 35,117</u>	<u>\$ 3,971,118</u>	<u>\$ 90,475</u>	<u>\$ 252,814</u>	<u>\$ 12,159,814</u>

CITY OF CLUTE

Clute, Texas

**CONSOLIDATED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND - SUB-FUNDS**

For the Year Ended September 30, 2019

	<u>Operating</u>	<u>Chapter 380</u>	<u>Capital Improvement</u>
Revenues:			
Ad valorem taxes	\$ 2,981,488	\$	\$
Sales tax	1,238,033		
Other taxes	621,191		
Industrial district	1,708,664		
Intergovernmental revenues	144,001		
Revenue producing facilities	1,586,063		
EMS revenue	696,016		
Fines and fees	532,292		
Licenses and fees	221,337		
Investment income	248,773		15,850
Miscellaneous	<u>407,856</u>		
Total revenues	<u>10,385,714</u>	<u>-0-</u>	<u>15,850</u>
Expenditures:			
Current:			
Administrative:			
Administration	574,201		
Legislative	136,335		
Legal	68,415		
Finance	4,646		
Public Safety:			
Municipal court	303,380		
Code enforcement	231,740		
Police	3,268,072		
Fire	218,855		
EMS	1,378,045		
Sanitation	1,263,880		
Service center	215,693		
Streets and drainage	953,505		
Culture and Recreation:			
Library	75,335		
Parks and recreation	713,471		
Capital outlay	2,835,993		(39,571)
Debt Service:			
Principal retirement	405,536		
Interest and fiscal charges	<u>63,504</u>		
Total expenditures	<u>12,710,606</u>	<u>-0-</u>	<u>(39,571)</u>
Excess of revenues over (under) expenditures	<u>(2,324,892)</u>	<u>-0-</u>	<u>55,421</u>

(continued)

<u>Unemployment Insurance</u>	<u>Beautification</u>	<u>Equipment Replacement</u>	<u>Forfeiture</u>	<u>Section 125 Plan</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$ 2,981,488
					1,238,033
					621,191
					1,708,664
					144,001
					1,586,063
					696,016
					532,292
					221,337
11,340	49	148,527	346	3,014	427,899
	<u>295</u>		<u>26,436</u>	<u>38,131</u>	<u>472,718</u>
<u>11,340</u>	<u>344</u>	<u>148,527</u>	<u>26,782</u>	<u>41,145</u>	<u>10,629,702</u>
1,288		16,867		40,356	632,712
					136,335
					68,415
					4,646
					303,380
					231,740
			760		3,268,832
					218,855
					1,378,045
					1,263,880
					215,693
					953,505
					75,335
					713,471
					2,796,422
					405,536
					<u>63,504</u>
<u>1,288</u>	<u>-0-</u>	<u>16,867</u>	<u>760</u>	<u>40,356</u>	<u>12,730,306</u>
<u>10,052</u>	<u>344</u>	<u>131,660</u>	<u>26,022</u>	<u>789</u>	<u>(2,100,604)</u>

CITY OF CLUTE

Clute, Texas

**CONSOLIDATED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND - SUB-FUNDS**

For the Year Ended September 30, 2019

	<u>Operating</u>	<u>Chapter 380</u>	<u>Capital Improvement</u>
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	\$ 5,327	\$	\$
Issuance of bonds			
Premium on issuance of bonds			
Transfers in	932,839		
Intrafund transfers in (out)	<u>1,803,788</u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>2,741,954</u>	<u>-0-</u>	<u>-0-</u>
Change in fund balances	417,062	-0-	55,421
Fund balance, beginning	<u>4,162,789</u>	<u> </u>	<u>1,361,783</u>
Fund balance, ending	<u>\$ 4,579,851</u>	<u>\$ -0-</u>	<u>\$ 1,417,204</u>

<u>Unemployment Insurance</u>	<u>Beautification</u>	<u>Equipment Replacement</u>	<u>Forfeiture</u>	<u>Section 125 Plan</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$
		1,795,000			5,327
		12,024			1,795,000
					12,024
					932,839
(12,764)	6,000	(1,797,024)			-0-
(12,764)	6,000	10,000	-0-	-0-	2,745,190
(2,712)	6,344	141,660	26,022	789	644,586
132,212	28,773	3,829,458	40,662	252,025	9,807,702
<u>\$ 129,500</u>	<u>\$ 35,117</u>	<u>\$ 3,971,118</u>	<u>\$ 66,684</u>	<u>\$ 252,814</u>	<u>\$ 10,452,288</u>

CITY OF CLUTE

Clute, Texas

Exhibit 23

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**CONSOLIDATED SCHEDULE OF NET POSITION
ENTERPRISE FUND - SUB-FUNDS**

September 30, 2019

	<u>Operating</u>	<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Construction</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Current Assets:					
Cash and temporary investments	\$ 2,537,506	\$ 454,516	\$ 83,861	\$ 19,713	\$ 3,095,596
Investments	406,036	1,116			407,152
Accounts receivable utilities (less allowance for uncollectibles - \$ 18,259)	288,205				288,205
Other receivables	66,835				66,835
Due from other funds	138,000				138,000
Prepaid items	<u>183,523</u>				<u>183,523</u>
Total unrestricted current assets	<u>3,620,105</u>	<u>455,632</u>	<u>83,861</u>	<u>19,713</u>	<u>4,179,311</u>
Restricted Assets:					
Cash and temporary investments	<u>373,972</u>				<u>373,972</u>
Total restricted current assets	<u>373,972</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>373,972</u>
Total current assets	<u>3,994,077</u>	<u>455,632</u>	<u>83,861</u>	<u>19,713</u>	<u>4,553,283</u>
Noncurrent Assets:					
Capital Assets:					
Property, plant and equipment (less accumulated depreciation - \$ 14,656,223)	<u>13,253,212</u>			<u>6,530,484</u>	<u>19,783,696</u>
Total noncurrent assets	<u>13,253,212</u>	<u>-0-</u>	<u>-0-</u>	<u>6,530,484</u>	<u>19,783,696</u>
Total assets	<u>17,247,289</u>	<u>455,632</u>	<u>83,861</u>	<u>6,550,197</u>	<u>24,336,979</u>
Deferred Outflows of Resources:					
Loss on bond refunding (net of amortization)	51,100				51,100
Pension	101,509				101,509
OPEB	<u>488</u>				<u>488</u>
Total deferred outflows of resources	<u>153,097</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>153,097</u>
Total assets and deferred outflows of resources	<u>\$ 17,400,386</u>	<u>\$ 455,632</u>	<u>\$ 83,861</u>	<u>\$ 6,550,197</u>	<u>\$ 24,490,076</u>

CITY OF CLUTE

Clute, Texas

Exhibit 23

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**CONSOLIDATED SCHEDULE OF NET POSITION
ENTERPRISE FUND - SUB-FUNDS
September 30, 2019**

	<u>Operating</u>	<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Construction</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 160,228	\$	\$	\$	\$ 160,228
Accrued compensated absences	2,244				2,244
Accrued interest payable	29,106				29,106
Bonds payable - current	401,163				401,163
Unearned revenue	<u>25,213</u>				<u>25,213</u>
Total current unrestricted liabilities	<u>617,954</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>617,954</u>
Current Liabilities Payable from Restricted Assets:					
Customer deposits payable	<u>373,972</u>				<u>373,972</u>
Total current restricted liabilities	<u>373,972</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>373,972</u>
Total current liabilities	<u>991,926</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>991,926</u>
Noncurrent Liabilities:					
Bonds payable - net	5,301,451				5,301,451
Net pension liability	95,886				95,886
Total OPEB obligation	<u>14,729</u>				<u>14,729</u>
Total noncurrent liabilities	<u>5,412,066</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,412,066</u>
Total liabilities	<u>6,403,992</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>6,403,992</u>
Deferred Inflows of Resources:					
Pension	8,536				8,536
OPEB	<u>558</u>				<u>558</u>
Total deferred inflows of resources	<u>9,094</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,094</u>
Net Position:					
Net investment in capital assets	7,550,598			6,530,484	14,081,082
Unrestricted	<u>3,436,702</u>	<u>455,632</u>	<u>83,861</u>	<u>19,713</u>	<u>3,995,908</u>
Total net position	<u>10,987,300</u>	<u>455,632</u>	<u>83,861</u>	<u>6,550,197</u>	<u>18,076,990</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,400,386</u>	<u>\$ 455,632</u>	<u>\$ 83,861</u>	<u>\$ 6,550,197</u>	<u>\$ 24,490,076</u>

**CONSOLIDATED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - ENTERPRISE FUND - SUB-FUNDS**
For the Year Ended September 30, 2019

	<u>Operating</u>	<u>Equipment Replacement</u>	<u>Unemployment Insurance</u>	<u>Construction</u>	<u>Total</u>
Operating Revenues:					
Water service	\$ 2,134,965	\$	\$	\$	\$ 2,134,965
Sewer service	2,017,540				2,017,540
Tapping and reconnection fees	131,910				131,910
Penalties	61,751				61,751
Other governments	322,207			225,075	547,282
Operating lease income	139,087				139,087
Miscellaneous	1,345				1,345
	<u>4,808,805</u>	<u>-0-</u>	<u>-0-</u>	<u>225,075</u>	<u>5,033,880</u>
Operating Expenses:					
Administrative	513,041	9			513,050
Sewer treatment	2,450,400				2,450,400
Depreciation	806,027			437,361	1,243,388
	<u>3,769,468</u>	<u>9</u>	<u>-0-</u>	<u>437,361</u>	<u>4,206,838</u>
Operating income	<u>1,039,337</u>	<u>(9)</u>	<u>-0-</u>	<u>(212,286)</u>	<u>827,042</u>
Non-operating Revenues (Expenses):					
Interest revenue	20,873	5,837	1,902	14	28,626
Unrealized loss on investments	226	53			279
Bond Interest and fees	<u>(174,654)</u>				<u>(174,654)</u>
Total non-operating revenues (expenses)	<u>(153,555)</u>	<u>5,890</u>	<u>1,902</u>	<u>14</u>	<u>(145,749)</u>
Income (loss) before contributions and transfers	885,782	5,881	1,902	(212,272)	681,293
Transfers out	<u>(175,000)</u>				<u>(175,000)</u>
Change in net position	710,782	5,881	1,902	(212,272)	506,293
Net position, beginning	<u>10,276,518</u>	<u>449,751</u>	<u>81,959</u>	<u>6,762,469</u>	<u>17,570,697</u>
Net position, ending	<u>\$ 10,987,300</u>	<u>\$ 455,632</u>	<u>\$ 83,861</u>	<u>\$ 6,550,197</u>	<u>\$ 18,076,990</u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL – PROPRIETARY FUND (ENTERPRISE)**
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues:				
Water service	\$ 2,395,000	\$ 2,395,000	\$ 2,134,965	\$(260,035)
Sewer service	2,200,000	2,200,000	2,017,540	(182,460)
Tapping and reconnection fees	48,500	48,500	131,910	83,410
Penalties	70,000	70,000	61,751	(8,249)
Other governments	303,741	303,741	547,282	243,541
Operating lease income	139,087	139,087	139,087	-0-
Miscellaneous	<u>2,950</u>	<u>2,950</u>	<u>1,345</u>	<u>(1,605)</u>
Total operating revenues	<u>5,159,278</u>	<u>5,159,278</u>	<u>5,033,880</u>	<u>(125,398)</u>
Operating Expenses:				
Administrative	878,154	878,154	513,050	365,104
Sewer treatment	2,852,373	2,878,373	2,450,400	427,973
Depreciation	<u>800,000</u>	<u>800,000</u>	<u>1,243,388</u>	<u>(443,388)</u>
Total operating expenses	<u>4,530,527</u>	<u>4,556,527</u>	<u>4,206,838</u>	<u>349,689</u>
Operating income	<u>628,751</u>	<u>602,751</u>	<u>827,042</u>	<u>224,291</u>
Non-operating Revenues (Expenses):				
Interest revenue	5,705	4,300	28,626	24,326
Unrealized gain on investments	120	260	279	19
Bond interest and fees	<u>(184,320)</u>	<u>(223,470)</u>	<u>(174,654)</u>	<u>48,816</u>
Total non-operating revenues (expenses)	<u>(178,495)</u>	<u>(218,910)</u>	<u>(145,749)</u>	<u>73,161</u>
Income (loss) before contributions and transfers	450,256	383,841	681,293	297,452
Transfers out	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-0-</u>
Change in net position	275,256	208,841	506,293	297,452
Net position, beginning (restated)	<u>17,570,697</u>	<u>17,570,697</u>	<u>17,570,697</u>	<u>-0-</u>
Net position, ending	<u>\$ 17,845,953</u>	<u>\$ 17,779,538</u>	<u>\$ 18,076,990</u>	<u>\$ 297,452</u>

CITY OF CLUTE

Clute, Texas

SCHEDULE OF AD VALOREM TAX LEVIES AND COLLECTIONS

For the Year Ended September 30, 2019

<u>Year of Tax Levy</u>	<u>Total Assessed Valuation</u>	<u>Tax Rate/\$100</u>	<u>Tax Levy</u>
2009 and Prior	\$ ---	\$ ---	\$ ---
2010	316,770,387	0.672	2,128,697
2011	281,276,339	0.672	1,890,177
2012	291,333,780	0.672	1,957,763
2013	284,839,881	0.672	1,914,124
2014	321,724,256	0.672	2,161,987
2015	361,224,279	0.659	2,380,468
2016	417,570,451	0.643	2,684,978
2017	472,852,800	0.625	2,955,330
2018	512,011,040	0.625	3,200,069

Taxes Receivable 10-01-18	Current Year Levy	Collections	Adjustments	Taxes Receivable 9-30-19
\$ 16,912	\$	\$ 831	\$(3,567)	\$ 12,514
2,265		756		1,509
3,846		788		3,058
7,730		734		6,996
10,490		993		9,497
7,008		947		6,061
10,662		4,192		6,470
23,437		11,234	(745)	11,458
47,722		21,213	(5,076)	21,433
<u> </u>	<u>3,200,069</u>	<u>3,225,830</u>	<u>72,112</u>	<u>46,351</u>
<u>\$ 130,072</u>	<u>\$ 3,200,069</u>	<u>\$ 3,267,518</u>	<u>\$ 62,724</u>	<u>\$ 125,347</u>
Less: Reserve for Uncollectible Taxes				<u>67,359</u>
Net Delinquent Taxes Receivable				<u>\$ 57,988</u>

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