

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF CLEAR LAKE SHORES,  
TEXAS**

**For the Year Ended  
September 30, 2021**

# CITY OF CLEAR LAKE SHORES, TEXAS

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September 30, 2021

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## ***INDEPENDENT AUDITORS' REPORT***

To the Honorable Mayor and  
City Council Members of the  
City of Clear Lake Shores, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the City of Clear Lake Shores, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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. 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 auditors' 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the City as of September 30, 2021, and the respective changes in financial position 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, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 other schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and other schedules 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 other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
April 29, 2022

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

# CITY OF CLEAR LAKE SHORES, TEXAS

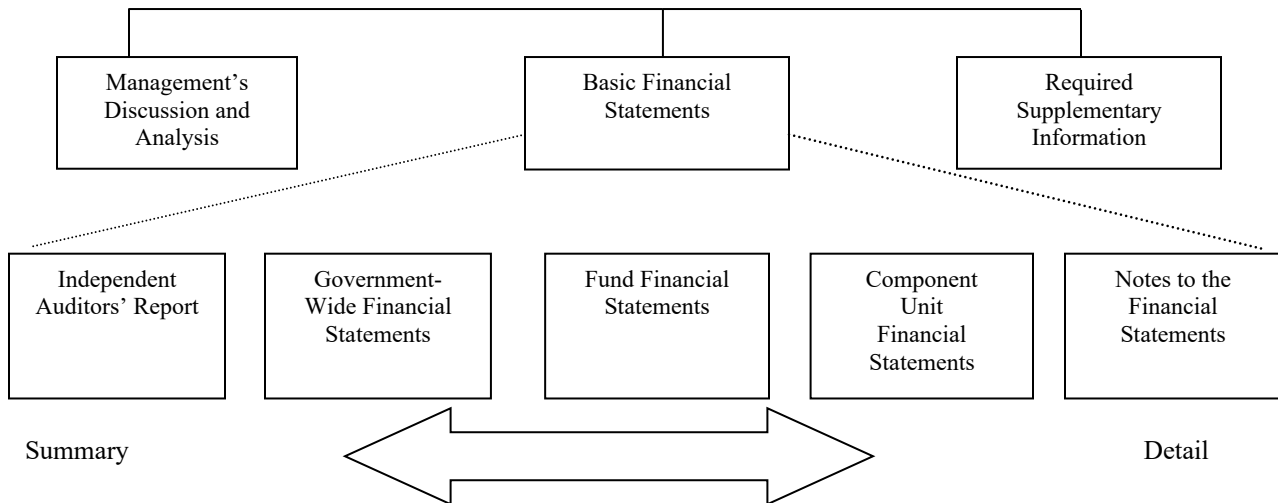
## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Clear Lake Shores, Texas (the "City") for the year ending September 30, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

### THE STRUCTURE OF OUR ANNUAL REPORT

#### Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

occurs, regardless of the timing of related cash flows – the accrual method rather than the modified accrual method that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the City's financials as one class of activity:

1. *Governmental Activities* – The City's basic services are reported here, including general government, police, municipal court, public safety, public works, and roads and drainage. Sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation and Plaza Ten 06 corporation for which the City is financially accountable. Financial information for the economic development corporation is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

## **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The City uses only one category of funds, which is governmental.

### **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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City'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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds, including a blended component unit. 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, roads and drainage fund, Plaza Ten 06 Corporation fund, and capital equipment fund, which are considered to be major funds for reporting purposes. The Plaza Ten 06 Corporation fund and the capital equipment fund did not meet the technical criteria to be presented as major funds, however, the City has elected to present them as major due to their significance.

The City adopts an annual appropriated budget for its general fund and each of the special revenue funds, as well as the capital projects fund. Budgetary comparison schedules have been provided for each of these funds to demonstrate compliance with their respective budgets.

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and special revenue funds, and schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows by \$14,610,952 as of year end in the primary government. The largest portion of the City's net position, 59 percent, reflects its investments in capital assets (e.g., land, City Hall, streets, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services 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, if applicable, must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.



**CITY OF CLEAR LAKE SHORES, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Component Unit	
	2021	2020	2021	2020
Current and other assets	\$ 6,644,521	\$ 5,946,785	\$ 488,714	\$ 583,496
Capital assets, net	9,083,484	9,164,330	9,875	6,200
<b>Total Assets</b>	<b>15,728,005</b>	<b>15,111,115</b>	<b>498,589</b>	<b>589,696</b>
Deferred outflows - pensions	104,344	105,892	-	-
Deferred outflows - OPEB	14,327	9,786	-	-
<b>Total Deferred Outflows of Resources</b>	<b>118,671</b>	<b>115,678</b>	<b>-</b>	<b>-</b>
Long-term liabilities	760,348	876,328	-	-
Other liabilities	380,362	193,449	5,868	5,938
<b>Total Liabilities</b>	<b>1,140,710</b>	<b>1,069,777</b>	<b>5,868</b>	<b>5,938</b>
Deferred inflows - pensions	92,405	80,064	-	-
Deferred inflows - OPEB	2,609	1,643	-	-
<b>Total Deferred Inflows of Resources</b>	<b>95,014</b>	<b>81,707</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>				
Net investment in capital assets	8,569,086	9,164,330	9,875	6,200
Restricted	2,032,344	1,584,934	-	-
Unrestricted	4,009,522	3,326,045	482,846	577,558
<b>Total Net Position</b>	<b>\$ 14,610,952</b>	<b>\$ 14,075,309</b>	<b>\$ 492,721</b>	<b>\$ 583,758</b>

A portion of the City's net position, \$2,032,344 or 14 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,009,522 or 24 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

**Statement of Activities**

The following table provides a summary of the City's changes in net position:

	Governmental		Component Unit	
	2021	2020	2021	2020
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 584,370	\$ 590,795	\$ -	\$ -
Grants and contributions	330,464	459,005	-	-
General revenues:				
Property taxes	1,152	18	-	-
Sales taxes	2,140,295	2,112,306	297,248	296,889
Franchise fees and local taxes	167,152	163,983	-	-
Investment earnings	6,037	55,344	516	8,956
Other revenues	65,529	36,256	9,875	-
<b>Total Revenues</b>	<b>3,294,999</b>	<b>3,417,707</b>	<b>307,639</b>	<b>305,845</b>
<b>Expenses</b>				
General government	788,775	743,747	398,676	743,163
Police	989,468	995,631	-	-
Municipal court	236,291	258,522	-	-
Public safety	13,316	54,752	-	-
Public works	720,722	729,106	-	-
Roads and drainage	10,785	32,203	-	-
<b>Total Expenses</b>	<b>2,759,356</b>	<b>2,813,961</b>	<b>398,676</b>	<b>743,163</b>
<b>Change in Net Position</b>	<b>535,643</b>	<b>603,746</b>	<b>(91,037)</b>	<b>(437,318)</b>
Beginning net position	14,075,309	13,471,563	583,758	1,021,076
<b>Ending Net Position</b>	<b>\$ 14,610,952</b>	<b>\$ 14,075,309</b>	<b>\$ 492,721</b>	<b>\$ 583,758</b>

For the year ended September 30, 2021, revenues from governmental activities totaled \$3,294,999, a net decrease of \$122,708, or 4 percent, compared to the prior year. This decrease can primarily be attributed to a decrease in grants and contributions, as the City received less federal and state awards in the current year. This decrease was partially offset by increases in sales tax revenue as a result of increases in activity as COVID-19 related shutdowns and measures were reduced.

Expenses for governmental activities were comparable to the prior year with a net decrease from 2020 of \$54,605, or 2 percent. Public safety saw the greatest decrease as a result of having COVID-19 related expenses in the prior year for emergency services.

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure 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, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$6,264,016. Of this, \$47,757 is nonspendable for prepaids, \$249,293 is restricted by enabling legislation, \$1,712,532 is restricted for roads and drainage expenditures, \$70,519 is restricted for Plaza Ten 06 expenditures, \$1,877,817 is assigned for contingency purposes, and \$276,805 is assigned for capital replacement.

There was a net increase in the combined fund balance of \$511,357 in comparison to the prior year, which was primarily the result of an overall increase in the fund balance for roads and drainage.

At the end of the fiscal year, unassigned fund balance in the general fund was \$2,029,293. The general fund had revenues that exceeded expenditures by \$220,518 and, after an interfund transfer out, the net change in fund balance was \$80,518. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 84 percent of total general fund expenditures, while total fund balance represents approximately 173 percent of that same amount. General fund revenues decreased during the current year primarily related to a monetary contribution from the EDC that was received in the prior year that did not occur again in the current year. General fund expenditures decreased primarily related to decreases in capital outlay related expenditures.

The roads and drainage fund fund balance totaled \$1,712,532 as of year end, an increase of \$387,837, which was primarily a result of a decrease of expenditures related to improvement projects during the year.

As of fiscal year end, the Plaza Ten 06 Corporation fund balance totaled \$70,519, an increase of \$2,753.

The capital equipment fund had a fund balance of \$276,805, an increase of \$40,249. This fund had no expenditures during the fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual general fund revenues were less than amended budgeted revenues by \$80,049 during the year. This net negative variance is primarily attributable to a negative variance from the amended budget in fines and forfeiture revenue of \$168,402. Overall, the general fund experienced a net positive variance of \$156,274 in the change in fund balance from the final amended budget in comparison to actual.

**CAPITAL ASSETS**

At the end of the year, the City's governmental activities had invested \$9,083,484, net of accumulated depreciation, in a variety of capital assets and infrastructure.

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

**LONG-TERM DEBT**

At the end of the current year, the City had total long-term liabilities of \$760,348 that consisted of a net pension and total OPEB liability, compensated absences, and a capital lease.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2021/2022 budget and tax rate. As in past years, the general fund's largest revenue source is sales tax receipts. In 2007, the City voted to increase the sales tax rate in a continued effort to reduce property taxes and, as a result, the City has been able to reduce the property tax rate to zero in every year beginning with the 2008 tax year.

Other than operating expenditures, the City's major budgeted expenditures for fiscal year 2021/2022 are in the area of infrastructure (drainage and improvements).

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Mayor, City Hall, 1006 South Shore Drive, Clear Lake Shores, Texas, 77565; telephone 281.334.2799.

***BASIC FINANCIAL STATEMENTS***

# CITY OF CLEAR LAKE SHORES, TEXAS

## STATEMENT OF NET POSITION

September 30, 2021

	<b>Primary Governmental Activities</b>	<b>Component Unit</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 6,165,870	\$ 427,555
Receivables, net	430,894	-
Prepays	47,757	3,800
Due from other governments	-	9,875
Due from primary government	-	47,484
	6,644,521	488,714
Capital assets:		
Nondepreciable	3,367,513	9,875
Net depreciable capital assets	5,715,971	-
	9,083,484	9,875
<b>Total Assets</b>	15,728,005	498,589
<b><u>Deferred Outflows of Resources</u></b>		
Deferred outflows - pensions	104,344	-
Deferred outflows - OPEB	14,327	-
<b>Total Deferred Outflows of Resources</b>	118,671	-
<b><u>Liabilities</u></b>		
Accounts payable and accrued liabilities	182,348	5,868
Unearned revenue	150,530	-
Due to component unit	47,484	-
	380,362	5,868
Noncurrent liabilities:		
Long-term liabilities due within one year	122,814	-
Long-term liabilities due in more than one year	637,534	-
	760,348	-
<b>Total Liabilities</b>	1,140,710	5,868
<b><u>Deferred Inflows of Resources</u></b>		
Deferred inflows - pensions	92,405	-
Deferred inflows - OPEB	2,609	-
<b>Total Deferred Inflows of Resources</b>	95,014	-
<b><u>Net Position</u></b>		
Net investment in capital assets	8,569,086	9,875
Restricted:		
Enabling legislation	249,293	-
Roads and drainage	1,712,532	-
Plaza Ten 06	70,519	-
Unrestricted	4,009,522	482,846
<b>Total Net Position</b>	\$ 14,610,952	\$ 492,721

See Notes to Financial Statements.

# CITY OF CLEAR LAKE SHORES, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		Primary Government
		Charges for Services	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 788,775	\$ -	\$ -	\$ (788,775)
Police	989,468	374,298	-	(615,170)
Municipal court	236,291	-	-	(236,291)
Public safety	13,316	-	-	(13,316)
Public works	720,722	210,072	330,464	(180,186)
Roads and drainage	10,785	-	-	(10,785)
<b>Total Governmental Activities</b>	<b>2,759,356</b>	<b>584,370</b>	<b>330,464</b>	<b>(1,844,522)</b>
<b>Total Primary Government</b>	<b>\$ 2,759,356</b>	<b>\$ 584,370</b>	<b>\$ 330,464</b>	<b>(1,844,522)</b>
 <b>Component Unit</b>				
Clear Lake Shores Economic Development Corporation	\$ 398,676	\$ -	\$ -	-
<b>Total Component Unit</b>	<b>\$ 398,676</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
 <b>General Revenues:</b>				
Taxes				
Property taxes				1,152
Sales taxes				2,140,295
Franchise fees and local taxes				167,152
Investment earnings				6,037
Other revenues				65,529
			<b>Total General Revenues</b>	2,380,165
			<b>Change in Net Position</b>	535,643
Beginning net position				14,075,309
			<b>Ending Net Position</b>	\$ 14,610,952

See Notes to Financial Statements.

**Net (Expense)  
Revenue and  
Changes in Net  
Position**

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**Component  
Unit**

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\$ -  
-  
-  
-  
-  
-  

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-  

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-  

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-

(398,676)  
(398,676)

-  
297,248  
-  
516  
9,875  

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307,639  

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(91,037)  
583,758  

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\$ 492,721



# CITY OF CLEAR LAKE SHORES, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2021

	General	Roads and Drainage	Plaza Ten 06 Corporation	Capital Equipment
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 4,153,340	\$ 1,665,048	\$ 70,677	\$ 276,805
Receivables	430,894	-	-	-
Prepaid items	47,757	-	-	-
Due from other funds	-	47,484	-	-
<b>Total Assets</b>	<b>\$ 4,631,991</b>	<b>\$ 1,712,532</b>	<b>\$ 70,677</b>	<b>\$ 276,805</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 182,190	\$ -	\$ 158	\$ -
Due to other funds	47,484	-	-	-
Due to component unit	47,484	-	-	-
Unearned revenue	150,530	-	-	-
<b>Total Liabilities</b>	<b>427,688</b>	<b>-</b>	<b>158</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	143	-	-	-
<b><u>Fund Balances</u></b>				
Nonspendable	47,757	-	-	-
Restricted:				
Enabling legislation	249,293	-	-	-
Roads and drainage	-	1,712,532	-	-
Plaza Ten 06	-	-	70,519	-
Assigned:				
Contingency	1,877,817	-	-	-
Capital replacement	-	-	-	276,805
Unassigned	2,029,293	-	-	-
<b>Total Fund Balances</b>	<b>4,204,160</b>	<b>1,712,532</b>	<b>70,519</b>	<b>276,805</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,631,991</b>	<b>\$ 1,712,532</b>	<b>\$ 70,677</b>	<b>\$ 276,805</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 6,165,870  
430,894  
47,757  
47,484  
\$ 6,692,005

\$ 182,348  
47,484  
47,484  
150,530  
427,846

143

47,757

249,293  
1,712,532  
70,519

1,877,817  
276,805  
2,029,293

6,264,016

\$ 6,692,005

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

September 30, 2021

Total fund balances for governmental funds	\$	6,264,016
--------------------------------------------	----	-----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Capital assets - nondepreciable		3,367,513
Capital assets - net depreciable		5,715,971

Long-term liabilities and deferred outflows and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are not due and payable in current period and, therefore, are not reported in the fund.

Net pension liability		(154,012)
Deferred outflows - pensions		104,344
Deferred inflows - pensions		(92,405)
Total OPEB liability		(43,839)
Deferred outflows - OPEB		14,327
Deferred inflows - OPEB		(2,609)
Noncurrent capital lease and compensated absences due within one year		(122,814)
Noncurrent capital lease and compensated absences due in more than one year		(439,683)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

		143
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		<u>143</u> <b>Net Position of Governmental Activities</b>
	\$	<u>14,610,952</u>

See Notes to Financial Statements.

# CITY OF CLEAR LAKE SHORES, TEXAS

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

For the Year Ended September 30, 2021

	General	Roads and Drainage	Plaza Ten 06 Corporation	Capital Equipment
<b>Revenues</b>				
Property taxes	\$ 1,152	\$ -	\$ -	\$ -
Sales taxes	1,843,048	297,247	-	-
Franchise fees and local taxes	167,152	-	-	-
Licenses and permits	117,302	-	-	-
Fines and forfeitures	374,298	-	-	-
Charges for services	92,770	-	-	-
Investment earnings	4,337	1,375	76	249
Other revenue	39,472	-	26,591	-
<b>Total Revenues</b>	2,639,531	298,622	26,667	249
<b>Expenditures</b>				
<b>Current:</b>				
General government	670,947	-	23,914	-
Police	949,327	-	-	-
Municipal court	239,987	-	-	-
Public safety	49,050	-	-	-
Public works	414,745	-	-	-
Roads and drainage	-	10,785	-	-
Debt service:				
Principal	77,209	-	-	-
Interest	17,748	-	-	-
<b>Total Expenditures</b>	2,419,013	10,785	23,914	-
<b>Excess of Revenues Over Expenditures</b>	220,518	287,837	2,753	249
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	100,000	-	40,000
Transfers (out)	(140,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	(140,000)	100,000	-	40,000
<b>Net Change in Fund Balances</b>	80,518	387,837	2,753	40,249
Beginning fund balances	4,123,642	1,324,695	67,766	236,556
<b>Ending Fund Balances</b>	\$ 4,204,160	\$ 1,712,532	\$ 70,519	\$ 276,805

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 1,152  
2,140,295  
167,152  
117,302  
374,298  
92,770  
6,037  
66,063  
2,965,069

694,861  
949,327  
239,987  
49,050  
414,745  
10,785

77,209  
17,748  
2,453,712

511,357

140,000  
(140,000)

-

511,357  
5,752,659  
\$ 6,264,016

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ 511,357
---------------------------------------------------------	------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital purchases	117,118
Capital contributions	330,464
Depreciation expense, net	(528,428)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(534)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.

Principal reduction on debt outstanding	77,209
Net change in compensated absences	(7,536)
Net pension liability	55,839
Deferred outflows - pensions	1,437
Deferred inflows - pensions	(15,326)
Total OPEB liability	(9,532)
Deferred outflows - OPEB	4,541
Deferred inflows - OPEB	(966)

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 535,643</u></b>
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See Notes to Financial Statements.

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Clear Lake Shores, Texas (the “City”) was incorporated November 13, 1962. The City Council is the principal legislative body of the City.

The City provides the following services: general administration, police, municipal court, public safety, public works, and roads and drainage.

The City is an independent political subdivision of the State of Texas (the “State”), governed by an elected council and a mayor, 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. The component units as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity. 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 a part of any other governmental or other type of reporting entity. The overriding elements associated with the 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. 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 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.

**Discretely Presented Component Unit**

**Clear Lake Shores Economic Development Corporation**

Clear Lake Shores Economic Development Corporation (EDC) has been included in the reporting entity as a discretely presented component unit. The City formed the EDC, which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The EDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by, and serves at the discretion of, the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the EDC shall be conveyed to the City. The EDC does not qualify as a blended component unit due to services that directly benefit the community rather than the City itself. Separate financial statements of the EDC may be obtained from the City.

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### Blended Component Unit

#### Plaza Ten 06 Local Government Corporation

Plaza Ten 06 Corporation (the “Corporation”) has been included in the reporting entity as a blended component unit. The Corporation is a nonprofit corporation and is a local government corporation organized by the City pursuant to Subchapter D of Chapter 431 of the Texas Transportation Code for the purpose of acquiring land and/or buildings within the City limits or extraterritorial jurisdiction of the City and the subsequent planning for and redevelopment of such properties. The Corporation is funded primarily by rental income and income from booth rentals at the farmer’s market. The Board of Directors consists of five members appointed by, and who serve at the discretion of, the City Council. City Council approval is required for annual budgets and bonded debt issuance. The City Council may dissolve the Corporation at any time with a majority vote and, in the event of dissolution, net position of the Corporation shall be conveyed to the City. The operations of the Corporation are presented as a governmental fund type. Separate financial statements of the Corporation may be obtained from the City.

### B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. Governmental activities are normally supported by taxes and intergovernmental revenues. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

### C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds, including its blended component unit. Separate statements for each fund category, governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, police, municipal court, public safety, and public works. The general fund is always considered a major fund for reporting purposes.



# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted or assigned by City Council to expenditures for specified purposes. The special revenue funds include the roads and drainage fund and the blended component unit, the Plaza Ten 06 Corporation. The roads and drainage special revenue fund is considered a major fund for reporting purposes. Plaza Ten 06 Corporation did not meet the technical criteria to be presented as major, however, due to its significance, the City has elected to present it as a major fund.

The *capital projects fund*, the capital equipment fund, accounts for the acquisition and construction of the City's major capital facilities and other capital assets. The capital equipment fund did not meet the technical criteria to be presented as a major fund, however, due to its significance, the City has elected to present it as a major fund.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### E. Measurement Focus and Basis of Accounting

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

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

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the

# **CITY OF CLEAR LAKE SHORES, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the Year Ended September 30, 2021**

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

### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

#### **1. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### **2. Investments**

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government and the State or their agencies or instrumentalities
- Fully collateralized certificates of deposit
- Mutual funds of a specific type
- Investment pools

#### **3. Receivables**

All trade receivables are shown net of an allowance for uncollectibles.

#### **4. Prepaid Items**

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

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### 5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City does not capitalize net interest cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Property, infrastructure, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Furniture and equipment	4 to 10 years
Infrastructure	20 to 50 years
Buildings and improvements	10 to 50 years

### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

# **CITY OF CLEAR LAKE SHORES, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2021**

### **7. Compensated Employee Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick, and compensatory time. Employees may elect to receive payments for accrued vacation time in advance with approval. Unpaid amounts accumulated may be paid to employees upon termination of employment. All eligible time is accrued when incurred in the government-wide financial statements.

### **8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

### **9. Net Position Flow Assumption**

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

### **10. Fund Balance Flow Assumptions**

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

# **CITY OF CLEAR LAKE SHORES, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2021**

### **11. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **12. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **13. Pensions**

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

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### 14. Other Postemployment Benefits

The City participates in a single-employer, unfunded, 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees.

## G. Revenues and Expenditures/Expenses

### 1. Program Revenues

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

### 2. Property Taxes

Effective October 1, 2007, a new sales tax rate took effect allowing the City to adopt a property tax rate of zero.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds, as well as the capital projects fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the municipal code of general law is the object and purpose stated in the approved budget. City Council may amend the budget throughout the year. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

As of September 30, 2021, the City and its component units had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 6,192,738	0.10
<b>Total Fair Value</b>	<u>\$ 6,192,738</u>	
Portfolio weighted average maturity		0.10

*Credit risk.* The City's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of September 30, 2021, the City's investment in TexPool was rated 'AAAm' by Standard & Poor's.

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. At year end, market values of the City’s pledged securities and FDIC insurance exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rate TexPool “AAAm”. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects liquidity.

### **B. Receivables**

The following comprise receivable balances at year end:

	<u>General</u>
Property taxes	\$ 143
Sales taxes	379,871
Other fees and taxes	50,880
	<u>\$ 430,894</u>

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### C. Capital Assets

A summary of changes in capital assets at year end is as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,067,513	\$ 300,000	\$ -	\$ 3,367,513
Total capital assets not being depreciated	3,067,513	300,000	-	3,367,513
Other capital assets:				
Infrastructure	8,898,190	-	-	8,898,190
Buildings and improvements	2,163,791	116,077	-	2,279,868
Furniture and equipment	911,327	31,505	(24,537)	918,295
Total other capital assets	11,973,308	147,582	(24,537)	12,096,353
Less accumulated depreciation for:				
Infrastructure	(4,256,466)	(377,027)	-	(4,633,493)
Buildings and improvements	(861,154)	(83,396)	-	(944,550)
Furniture and equipment	(758,871)	(68,005)	24,537	(802,339)
Total accumulated depreciation	(5,876,491)	(528,428)	24,537	(6,380,382)
Other capital assets, net	6,096,817	(380,846)	-	5,715,971
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 9,164,330</b>	<b>\$ (80,846)</b>	<b>\$ -</b>	<b>\$ 9,083,484</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 94,424
Police	56,505
Public works	377,499
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 528,428</b>



# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

A summary of changes in capital assets for the EDC at year end is as follows:

	EDC Component Unit			
	Beginning Balance	Increases	(Decreases)	Ending Balance
<b>Component Unit:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 6,200	\$ 9,875	\$ (6,200)	\$ 9,875
Total capital assets not being depreciated	6,200	9,875	(6,200)	9,875
<b>Component Unit Capital Assets, Net</b>	\$ 6,200	\$ 9,875	\$ (6,200)	\$ 9,875

Capital assets purchased by the EDC are contributed to the City.

### D. Long-Term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital lease (3% Interest)	\$ 591,607	\$ -	\$ 77,209	\$ 514,398	\$ 79,525
Compensated absences	40,563	44,043	36,507	48,099	43,289
Net pension liability	209,851	-	55,839	154,012	-
Total OPEB liability	34,307	9,532	-	43,839	-
<b>Total Governmental Activities</b>	\$ 876,328	\$ 53,575	\$ 169,555	\$ 760,348	\$ 122,814
			<b>Due in More Than One Year</b>	\$ 637,534	

Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. In general, the City uses the general fund to liquidate governmental long-term liabilities.

The City is not obligated in any manner for special assessment debt.

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

The annual requirements to amortize the capital lease debt issue outstanding at year end was as follows:

Fiscal Year Ending Sept. 30	Capital Lease		
	Principal	Interest	Total
2022	\$ 79,525	\$ 15,432	\$ 94,957
2023	81,910	13,046	94,956
2024	84,368	10,589	94,957
2025	86,899	8,058	94,957
2026	89,506	5,451	94,957
2027	92,190	2,766	94,956
<b>Total</b>	<b>\$ 514,398</b>	<b>\$ 55,342</b>	<b>\$ 569,740</b>

The asset acquired through the outstanding capital lease was land in the amount of \$810,000.

**E. Interfund Transactions**

Transfers between the primary government funds during the year were as follows:

Transfer Out	Transfer In	Amounts
General	Capital equipment	\$ 40,000
General	Roads and drainage	100,000
		<u>\$ 140,000</u>

Transfers were made by the general fund to the roads and drainage fund and capital equipment fund to provide additional resources for capital expenditures.

The composition of interfund balances as of year end was as follows:

Receivable Fund	Payable Fund	Amounts
Roads and drainage	General	<u>\$ 47,484</u>

The outstanding balance in the general fund represent sales tax due to the roads and drainage fund.

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

### C. Pension Plans

#### 1. Texas Municipal Retirement System

##### Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at [www.tmr.com](http://www.tmr.com).

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

##### Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2021	2020
Employee deposit rate	6.00%	6.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

### Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving, benefits	17
Active employees	18
<b>Total</b>	<b>40</b>

### Contributions

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

Employees for the City were required to contribute six percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.65 percent and 10.77 percent in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were \$117,016, which were equal to the required contributions.

### Net Pension Liability

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

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined 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, the actuary 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).

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
<b>Total</b>	<b>100.00%</b>	

### Discount Rate

The discount rate used to measure the TPL was 6.75 percent. 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 TMRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

### Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	Changes for the year:		
Service cost	\$ 160,891	\$ -	\$ 160,891
Interest	162,211	-	162,211
Difference between expected and actual experience	(36,308)	-	(36,308)
Changes of assumptions	-	-	-
Contributions - employer	-	113,777	(113,777)
Contributions - employee	-	64,100	(64,100)
Net investment income	-	165,875	(165,875)
Benefit payments, including refunds of employee contributions	(161,398)	(161,398)	-
Administrative expense	-	(1,077)	1,077
Other changes	-	(42)	42
<b>Net Changes</b>	<b>125,396</b>	<b>181,235</b>	<b>(55,839)</b>
Balance at December 31, 2019	2,403,376	2,193,525	209,851
<b>Balance at December 31, 2020</b>	<b>\$ 2,528,772</b>	<b>\$ 2,374,760</b>	<b>\$ 154,012</b>

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### Sensitivity of the NPL to Changes in the Discount Rate

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability/(Asset)	\$ 583,507	\$ 154,012	\$ (188,186)

### Pension Plan Fiduciary Net Position

Detailed information about the TMRS plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$75,063.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 2,991	\$ (32,400)
Changes in actuarial assumptions	10,267	-
Net difference between projected and actual investment earnings	-	(60,005)
Contributions subsequent to the measurement date	91,086	-
<b>Total</b>	<b>\$ 104,344</b>	<b>\$ (92,405)</b>

\$91,086 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2022.

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended September 30</b>	<b>Pension Expense</b>
2022	\$ (28,950)
2023	(5,506)
2024	(39,154)
2025	(5,537)
2026	-
Thereafter	-
<b>Total</b>	<b>\$ (79,147)</b>

## 2. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan’s trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

## D. Other Postemployment Benefits

### TMRS – Supplemental Death Benefit

#### Plan Description

The City participates in a defined benefit OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer’s yearly contributions for retirees.



# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

### Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to, but not yet receiving, benefits	3
Active employees	18
<b>Total</b>	<u>25</u>

### Total OPEB Liability

The City's total OPEB liability of \$43,839 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.0%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality

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

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

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Changes for the year:	
Service cost	\$ 3,205
Interest	986
Difference between expected and actual experience	(1,471)
Changes of assumptions	6,919
Benefit payments	(107)
<b>Net Changes</b>	<b>9,532</b>
Beginning balance	34,307
<b>Ending Balance</b>	<b>\$ 43,839</b>

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

# CITY OF CLEAR LAKE SHORES, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB Liability	\$ 56,221	\$ 43,839	\$ 35,010

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$6,320. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,257	\$ (1,251)
Changes in actuarial assumptions	11,732	(1,358)
Contributions subsequent to the measurement date	338	-
<b>Total</b>	<b>\$ 14,327</b>	<b>\$ (2,609)</b>

\$338 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2022. Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense
2022	\$ 2,129
2023	2,129
2024	2,129
2025	2,075
2026	1,845
Thereafter	1,073
<b>Total</b>	<b>\$ 11,380</b>

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended September 30, 2021  
With Comparative Totals for the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance	2020
	Original Budget	Final Budget		with Final Budget Positive (Negative)	
<b>Revenues</b>					
Taxes and fees:					
Property	\$ -	\$ -	\$ 1,152	\$ 1,152	\$ 18
Sales	1,788,500	1,788,500	1,843,048	54,548	1,815,417
Franchise and local	165,900	165,900	167,152	1,252	163,983
Licenses and permits	75,950	75,950	117,302	41,352	141,561
Fines and forfeitures	542,700	542,700	374,298	(168,402)	358,764
Intergovernmental	26,250	26,250	-	(26,250)	67,777
Charges for services	71,550	71,550	92,770	21,220	90,470
Investment earnings	38,000	38,000	2,357	(35,643)	19,184
Contributions	-	-	-	-	150,000
Other revenue	8,750	8,750	39,472	30,722	12,107
<b>Total Revenues</b>	<b>2,717,600</b>	<b>2,717,600</b>	<b>2,637,551</b>	<b>(80,049)</b>	<b>2,819,281</b>
<b>Expenditures</b>					
Current:					
General government	741,472	759,270	670,947	88,323	641,886
Police	1,036,065	1,036,065	949,327	86,738	927,306
Municipal court	274,614	274,614	239,987	34,627	243,188
Public safety	49,050	49,050	49,050	-	54,426
Public works	457,128	457,128	414,745	42,383	425,344
Debt service:					
Principal	77,209	77,209	77,209	-	-
Interest	17,748	17,748	17,748	-	-
Capital outlay	2,000	2,000	-	2,000	301,167
<b>Total Expenditures</b>	<b>2,655,286</b>	<b>2,673,084</b>	<b>2,419,013</b>	<b>254,071</b>	<b>2,593,317</b>
<b>Excess of Revenues Over Expenditures</b>	<b>62,314</b>	<b>44,516</b>	<b>218,538</b>	<b>174,022</b>	<b>225,964</b>
<b>Other Financing Sources (Uses)</b>					
Transfers (out)	(140,000)	(140,000)	(140,000)	-	(120,000)
<b>Total Other Financing (Uses)</b>	<b>(140,000)</b>	<b>(140,000)</b>	<b>(140,000)</b>	<b>-</b>	<b>(120,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (77,686)</b>	<b>\$ (95,484)</b>	<b>\$ 78,538</b>	<b>\$ 174,022</b>	<b>\$ 105,964</b>

**Notes to Required Supplementary Information:**

- Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP).
- The schedule above only includes activity for the general fund. Reconciliation to net change in fund balance on page 22:

Interest income	1,980
<b>Net Change in Fund Balance</b>	<b>\$ 80,518</b>

# CITY OF CLEAR LAKE SHORES, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ROADS AND DRAINAGE FUND

For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Sales taxes	\$ 280,000	\$ 297,247	\$ 17,247
Investment earnings	11,800	1,375	(10,425)
<b>Total Revenues</b>	291,800	298,622	6,822
<b><u>Expenditures</u></b>			
Roads and drainage	630,000	10,785	619,215
<b>Total Expenditures</b>	630,000	10,785	619,215
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(338,200)	287,837	626,037
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	100,000	100,000	-
<b>Total Other Financing Sources</b>	100,000	100,000	-
<b>Net Change in Fund Balance</b>	\$ (238,200)	387,837	\$ 626,037
Beginning fund balance		1,324,695	
<b>Ending Fund Balance</b>		\$ 1,712,532	

**Notes to Required Supplementary Information:**

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# CITY OF CLEAR LAKE SHORES, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### PLAZA TEN 06 CORPORATION

For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 750	\$ 76	\$ (674)
Other revenue	24,000	26,591	2,591
<b>Total Revenues</b>	<b>24,750</b>	<b>26,667</b>	<b>1,917</b>
<b>Expenditures</b>			
General government	2,000	23,914	(21,914)
<b>Total Expenditures</b>	<b>2,000</b>	<b>23,914</b>	<b>(21,914)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 22,750</b>	<b>2,753</b>	<b>\$ (19,997)</b>
Beginning fund balance		67,766	
<b>Ending Fund Balance</b>		<b>\$ 70,519</b>	

#### Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2021**

	Measurement Year*			
	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service cost	\$ 81,886	\$ 104,181	\$ 119,338	\$ 146,852
Interest (on the total pension liability)	84,487	95,965	105,466	115,479
Changes in current period benefits	30,927	-	-	-
Difference between expected and actual experience	18,907	11,701	(48,304)	(21,840)
Change in assumptions	-	13,864	-	-
Benefit payments, including refunds of employee contributions	(33,495)	(31,423)	(52,077)	(31,753)
<b>Net Change in Total Pension Liability</b>	<u>182,712</u>	<u>194,288</u>	<u>124,423</u>	<u>208,738</u>
Beginning total pension liability	<u>1,151,834</u>	<u>1,334,546</u>	<u>1,528,834</u>	<u>1,653,257</u>
<b>Ending Total Pension Liability</b>	<u><u>\$ 1,334,546</u></u>	<u><u>\$ 1,528,834</u></u>	<u><u>\$ 1,653,257</u></u>	<u><u>\$ 1,861,995</u></u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 61,636	\$ 78,678	\$ 88,048	\$ 106,888
Contributions - employee	37,852	43,349	48,511	57,778
Net investment income	56,670	1,641	81,231	189,504
Benefit payments, including refunds of employee contributions	(33,495)	(31,423)	(52,077)	(31,753)
Administrative expense	(592)	(1,000)	(919)	(983)
Other	(49)	(49)	(50)	(50)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>122,022</u>	<u>91,196</u>	<u>164,744</u>	<u>321,384</u>
Beginning plan fiduciary net position	<u>990,794</u>	<u>1,112,816</u>	<u>1,204,012</u>	<u>1,368,756</u>
<b>Ending Plan Fiduciary Net Position</b>	<u><u>\$ 1,112,816</u></u>	<u><u>\$ 1,204,012</u></u>	<u><u>\$ 1,368,756</u></u>	<u><u>\$ 1,690,140</u></u>
<b>Net Pension Liability</b>	<u><u>\$ 221,730</u></u>	<u><u>\$ 324,822</u></u>	<u><u>\$ 284,501</u></u>	<u><u>\$ 171,855</u></u>
<b>Percentage of Total Pension Liability Covered Payroll</b>	83.39%	78.75%	82.79%	90.77%
	\$ 630,866	\$ 722,478	\$ 808,524	\$ 962,961
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	35.15%	44.96%	35.19%	17.85%

\*Only seven years of information is currently available. The City will build this schedule over the next three-year period.



<b>Measurement Year*</b>		
<b>2018</b>	<b>2019</b>	<b>2020</b>
\$ 156,100	\$ 163,884	\$ 160,891
129,722	146,645	162,211
-	-	-
(188)	5,151	(36,308)
-	17,680	-
<u>(36,485)</u>	<u>(41,128)</u>	<u>(161,398)</u>
249,149	292,232	125,396
<u>1,861,995</u>	<u>2,111,144</u>	<u>2,403,376</u>
<u>\$ 2,111,144</u>	<u>\$ 2,403,376</u>	<u>\$ 2,528,772</u>
\$ 114,562	\$ 118,791	\$ 113,777
61,538	65,510	64,100
(50,288)	273,514	165,875
(36,485)	(41,128)	(161,398)
(978)	(1,554)	(1,077)
(52)	(45)	(42)
<u>88,297</u>	<u>415,088</u>	<u>181,235</u>
<u>1,690,140</u>	<u>1,778,437</u>	<u>2,193,525</u>
<u>\$ 1,778,437</u>	<u>\$ 2,193,525</u>	<u>\$ 2,374,760</u>
<u>\$ 332,707</u>	<u>\$ 209,851</u>	<u>\$ 154,012</u>
84.24%	91.27%	93.91%
\$ 1,025,626	\$ 1,091,833	\$ 1,068,334
32.44%	19.22%	14.42%

# CITY OF CLEAR LAKE SHORES, TEXAS

## SCHEDULE OF CONTRIBUTIONS

### TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2021

	Fiscal Year*			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 75,670	\$ 82,106	\$ 105,300	\$ 111,332
Contributions in relation to the actuarially determined contribution	75,670	82,834	105,623	111,332
Contribution deficiency (excess)	\$ -	\$ (728)	\$ (323)	\$ -
Covered payroll	\$ 714,704	\$ 760,646	\$ 956,265	\$ 998,305
Contributions as a percentage of covered payroll	10.59%	10.89%	11.05%	11.15%

\* Only seven years of information is currently available. The City will build this schedule over the next three-year period.

#### Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP.

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

There were no benefit changes during the year.

<b>Fiscal Year*</b>		
<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 117,815	\$ 120,396	\$ 117,016
117,815	120,396	117,016
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,075,320	\$ 1,124,023	\$ 1,089,209
10.96%	10.71%	10.74%

**CITY OF CLEAR LAKE SHORES, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2021**

	Measurement Year*			
	2017	2018	2019	2020
<b>Total OPEB Liability</b>				
Service cost	\$ 2,696	\$ 3,282	\$ 1,965	\$ 3,205
Interest (on the total OPEB liability)	593	697	952	986
Difference between expected and actual experience	-	3,596	68	(1,471)
Change of assumptions	1,890	(2,213)	6,700	6,919
Benefit payments	(96)	(103)	(109)	(107)
<b>Net Change in Total OPEB Liability</b>	<u>5,083</u>	<u>5,259</u>	<u>9,576</u>	<u>9,532</u>
Beginning total OPEB liability	<u>14,389</u>	<u>19,472</u>	<u>24,731</u>	<u>34,307</u>
<b>Ending Total OPEB Liability</b>	<u>\$ 19,472</u>	<u>\$ 24,731</u>	<u>\$ 34,307</u>	<u>43,839</u>
<b>Covered Payroll</b>	\$ 962,961	\$ 1,025,626	\$ 1,091,833	1,068,334
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	2.02%	2.41%	3.14%	4.10%

\*Only four years of information is currently available. The City will build this schedule over the next six-year period.

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

**Notes to Required Supplementary Information:**

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.0%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

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

Change in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

***COMBINING SCHEDULE***

# CITY OF CLEAR LAKE SHORES, TEXAS

## COMBINING SCHEDULE - BALANCE SHEET

### SUBFUNDS OF THE GENERAL FUND

September 30, 2021

	General	Rainy Day	Total General Fund
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 2,275,523	\$ 1,877,817	\$ 4,153,340
Receivables	430,894	-	430,894
Prepays and other assets	47,757	-	47,757
<b>Total Assets</b>	<b>\$ 2,754,174</b>	<b>\$ 1,877,817</b>	<b>\$ 4,631,991</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 182,190	\$ -	\$ 182,190
Due to other funds	47,484	-	47,484
Due to component unit	47,484	-	47,484
Unearned revenue	150,530	-	150,530
<b>Total Liabilities</b>	<b>427,688</b>	<b>-</b>	<b>427,688</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	143	-	143
<b><u>Fund Balances</u></b>			
Nonspendable	47,757	-	47,757
Restricted:			
Enabling legislation	249,293	-	249,293
Assigned	-	1,877,817	1,877,817
Unassigned	2,029,293	-	2,029,293
<b>Total Fund Balances</b>	<b>2,326,343</b>	<b>1,877,817</b>	<b>4,204,160</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,754,174</b>	<b>\$ 1,877,817</b>	<b>\$ 4,631,991</b>

# CITY OF CLEAR LAKE SHORES, TEXAS

## COMBINING SCHEDULE - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### SUBFUNDS OF THE GENERAL FUND

For the Year Ended September 30, 2021

	General	Rainy Day	Total General Fund
<b><u>Revenues</u></b>			
Property taxes	\$ 1,152	\$ -	\$ 1,152
Sales taxes	1,843,048	-	1,843,048
Franchise fees and local taxes	167,152	-	167,152
Licenses and permits	117,302	-	117,302
Fines and forfeitures	374,298	-	374,298
Charges for services	92,770	-	92,770
Investment earnings	2,357	1,980	4,337
Other revenue	39,472	-	39,472
<b>Total Revenues</b>	2,637,551	1,980	2,639,531
<b><u>Expenditures</u></b>			
<b>Current:</b>			
General government	670,947	-	670,947
Police	949,327	-	949,327
Municipal court	239,987	-	239,987
Public safety	49,050	-	49,050
Public works	414,745	-	414,745
Debt service:			
Principal	77,209	-	77,209
Interest	17,748	-	17,748
<b>Total Expenditures</b>	2,419,013	-	2,419,013
<b>Excess of Revenues Over Expenditures</b>	218,538	1,980	220,518
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	(140,000)	-	(140,000)
<b>Total Other Financing (Uses)</b>	(140,000)	-	(140,000)
<b>Net Change in Fund Balances</b>	78,538	1,980	80,518
Beginning fund balances	2,247,805	1,875,837	4,123,642
<b>Ending Fund Balances</b>	\$ 2,326,343	\$ 1,877,817	\$ 4,204,160

## ***SCHEDULES***



**CITY OF CLEAR LAKE SHORES, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL EQUIPMENT FUND**  
**For the Year Ended September 30, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>			
Investment earnings	\$ 3,500	\$ 249	\$ (3,251)
<b>Total Revenues</b>	3,500	249	(3,251)
<b><u>Expenditures</u></b>			
Capital outlay	-	-	-
<b>Total Expenditures</b>	-	-	-
<b>Excess of Revenues Over Expenditures</b>	3,500	249	(3,251)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	40,000	40,000	-
<b>Total Other Financing Sources</b>	40,000	40,000	-
<b>Net Change in Fund Balance</b>	\$ 43,500	40,249	\$ (3,251)
Beginning fund balance		236,556	
<b>Ending Fund Balance</b>		\$ 276,805	