

CITY OF COMMERCE, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2022

**City of Commerce, Texas
Annual Financial Report
Year Ended September 30, 2022**

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FINANCIAL SECTION

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Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Commerce, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Commerce, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Commerce, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Commerce, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedule – General Fund; schedule of changes in net pension liability and related ratios; schedule of pension contributions; and schedule of changes in total OPEB liability and related ratios on pages 7-16 and pages 54-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce, Texas' basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplementary schedules section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2023, on our consideration of the City of Commerce, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Commerce, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Commerce, Texas' internal control over financial reporting and compliance.

Scott, Singleton, Fincher and Company, PC

Scott, Singleton, Fincher and Company, PC

Certified Public Accountants

Greenville, Texas

May 2, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Management of the City of Commerce presents the City's financial statements. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2022. This discussion should be read in conjunction with the financial statements and related notes.

FINANCIAL HIGHLIGHTS:

- Government-wide net position reported in the Statement of Net Position is \$20,609,501. Of this amount, \$16,087,926 is invested in capital assets or restricted for debt service, capital projects, and other specific expenses. The remaining \$4,521,575 is unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.
- Government-wide net position increased by \$956,047.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – \$599,336 increase

Debt Service Fund – \$26,730 increase

Capital Projects Fund - \$4,910,210 increase

Grants Fund – \$1,234 increase

Other Governmental Funds – \$38,473 increase

Water, Sewer, & Environmental Waste Services Fund – \$671,692 increase

Water District Fund – (\$67) decrease

Internal Service Fund – (\$54,769) decrease

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and appropriations from the State. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Non-financial factors should also be considered to fully assess the overall health of the City, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – Most of the City's services are reported here, including, administration, judicial, fire and emergency services, community development, public works, police, parks and recreation, library, and airport activities. Property taxes and state and federal grants finance most of these activities.

Business-type Activities – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary - use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash), and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found at the bottom or adjacent to each of the governmental fund financial statements.

Proprietary Funds – The Proprietary Funds are used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net position serves as one useful indicator of a government's financial position. In the case of the City, the combined net position exceeded liabilities by \$20,609,501 and \$19,653,454 at the close of FY 2022 and FY 2021, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net position of the City's activities increased by \$956,047. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$4,521,575.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, the City's governmental funds reported fund balance of \$10,414,756 and the proprietary funds reported net position of \$10,792,414 for a reported combined fund balance and net position of \$21,207,170, which is a \$6,247,608 increase from last year. \$4,910,210 of this increase occurred in the capital projects fund. Bond proceeds for future capital outlay were received in the capital projects fund in 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was \$15,256,229, and \$14,828,925, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was a \$509,926 increase and a \$45,370 increase in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt – at year-end the City had \$23,926,005 in bonds and capital leases outstanding – an increase of \$6,967,945. Additional information on long-term liabilities can be found in note 6 to the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK:

The expansion of the DFW population and market continues to impact Hunt County. While the majority of that impact is most prominent in southwest Hunt County, the City of Commerce has begun to see a positive impact as well. The local economy continues to grow at a controlled pace, and the City is working to stay ahead of and to facilitate this growth.

There are three fundamental factors that are fueling this economic growth:

1. The expansion of the DFW market is resulting in population growth for Hunt County. As the southwestern portions of Hunt County experience rapid population growth, there is a trend of migration further east to maintain a more rural lifestyle. We routinely hear that it is "quieter" and "less traffic" and that is desirable to some people. This is leading to growth for our community, but not at an overwhelming pace.
2. The development of Lake Ralph Hall continues to provide positive impacts for the local economy. With the creation of this new water source, Commerce is ideally located within 20 minutes of two different lakes and the recreation opportunities they provide.

3. The Texas A&M University – Commerce’s move to NCAA Division I athletics has already begun to create economic momentum.
 - a. Whataburger is completing construction and will be open in 2023.
 - b. Design has begun for a new sit-down restaurant next to CVS.
 - c. TAMU-C will begin construction on a new \$40+ Million Ag Science and competition arena that will bring many students and visitors to the economy.
 - d. TAMU-C has begun design of a new 4-5,000 seat indoor sports arena and a complimentary hotel/retail space to support it. While construction is a few years away, this will be a significant impact to our economy.

UPCOMING DEVELOPMENTS:

Residential Development:

- Site construction has completed for the first Phase of the East Oak Creek subdivision by Bloomfield Homes. Housing construction starts in the spring of 2023. Phase 1 will be 110 new homes.
- A new 60-home subdivision is wrapping up design and will begin construction in late 2023 or early 2024.
- The city continues to see strong in-fill development happen with new single-family homes being constructed on individual lots all around the community.

Commercial & Industrial Development:

- Commerce ISD has begun construction on the new Middle School and sports complex, which will improve the level of service they provide to the District.
- Starbucks is under construction and will open in 2023.
- Whataburger is under construction and will open in 2023.
- The city’s Downtown Master Plan was adopted and there is already real estate transactions with potential development in the downtown district.
- Hydro Aluminum continues to be an industry leading plant across the entire nation in the aluminum recycling space.
- Mohawk leads their corporate national presence in carpet pad production and efficiency.
- Gramazini Stone continues to expand their Brazilian operations into the US here in Commerce. They have begun buying stone quarries across the US and will be shipping raw material to the Commerce location for production.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please do not hesitate to contact the City Manager or the Finance Director by phone at (903) 886-1131 or by E-mail at howdy.lisenbee@commercetx.org or Jamie.Campbell@commercetx.org.

City of Commerce, Texas
Comparative Statements of Net Position
September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 12,647,664	\$ 6,539,627	\$ 5,209,397	\$ 3,251,157	\$ 17,857,061	\$ 9,790,784
Capital assets, net	15,256,229	14,746,303	14,828,925	14,783,555	30,085,154	29,529,858
Total Assets	27,903,893	21,285,930	20,038,322	18,034,712	47,942,215	39,320,642
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	516,051	316,687	67,900	39,141	583,951	355,828
Total Deferred Outflows of Resources	516,051	316,687	67,900	39,141	583,951	355,828
LIABILITIES						
Other liabilities	2,313,092	2,043,017	805,303	542,827	3,118,395	2,585,844
Long-term debt	15,517,118	9,600,525	8,408,887	7,357,535	23,926,005	16,958,060
Total Liabilities	17,830,210	11,643,542	9,214,190	7,900,362	27,044,400	19,543,904
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	772,647	426,410	99,618	52,702	872,265	479,112
Total Deferred Inflows of Resources	772,647	426,410	99,618	52,702	872,265	479,112
NET POSITION						
Net investment in capital assets	6,631,435	6,451,692	9,082,720	9,135,501	15,714,155	15,587,193
Restricted	373,771	980,913	-	-	373,771	980,913
Unrestricted	2,811,881	2,100,060	1,709,694	985,288	4,521,575	3,085,348
Total Net Position	\$ 9,817,087	\$ 9,532,665	\$ 10,792,414	\$ 10,120,789	\$ 20,609,501	\$ 19,653,454

City of Commerce, Texas
Comparative Statements of Activities
For the Years Ending September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 1,340,765	\$ 1,043,900	\$ 6,578,113	\$ 5,308,658	\$ 7,918,878	\$ 6,352,558
Operating grants/contributions	974,110	537,751			974,110	537,751
Capital grants/contributions	-	734,708	281,387		281,387	734,708
General revenues:						
Ad valorem taxes	3,455,578	3,189,225			3,455,578	3,189,225
Sales taxes	1,461,792	1,294,019			1,461,792	1,294,019
Franchise Taxes	518,608	499,580			518,608	499,580
Other	502,476	640,902	8,834	7,901	511,310	648,803
Total revenues	<u>8,253,329</u>	<u>7,940,085</u>	<u>6,868,334</u>	<u>5,316,559</u>	<u>15,121,663</u>	<u>13,256,644</u>
Expenses:						
Administration	1,869,701	2,323,515			1,869,701	2,323,515
Police department	2,056,099	1,671,085			2,056,099	1,671,085
Fire and emergency services	1,417,055	1,078,034			1,417,055	1,078,034
Public works	826,025	749,987			826,025	749,987
Parks and recreation	399,420	373,057			399,420	373,057
Development services	243,125	185,119			243,125	185,119
Judicial	67,556	59,946			67,556	59,946
Library	77,067	70,533			77,067	70,533
Airport	153,111	133,644			153,111	133,644
Interest and fiscal charges	252,443	253,951			252,443	253,951
Bond issuance costs	607,305	96,051			607,305	96,051
Water, sewer, and environmental waste services			6,196,709	5,553,437	6,196,709	5,553,437
Total Expenses	<u>7,968,907</u>	<u>6,994,922</u>	<u>6,196,709</u>	<u>5,553,437</u>	<u>14,165,616</u>	<u>12,548,359</u>
Excess (deficiency) before transfers	284,422	945,163	671,625	(236,878)	956,047	708,285
Transfers	<u>-</u>	<u>(5,736)</u>	<u>-</u>	<u>5,736</u>		
Change in Net Position	284,422	939,427	671,625	(231,142)	956,047	708,285
Net position - October 1	9,532,665	8,593,238	10,120,789	10,351,931	19,653,454	18,945,169
Net position - September 30	<u>\$ 9,817,087</u>	<u>\$ 9,532,665</u>	<u>\$ 10,792,414</u>	<u>\$ 10,120,789</u>	<u>\$ 20,609,501</u>	<u>\$ 19,653,454</u>

City of Commerce, Texas
Comparative Balance Sheets
Governmental Funds
September 30, 2022 and 2021

	General	Debt Service	Capital Projects	Grants Projects	Other Governmental Funds	Total Governmental Funds	
						2022	2021
Assets							
Cash and cash equivalents	\$ 2,703,797	\$ 95,106	\$ -	\$ 1,526,313	\$ 2,697	\$ 4,327,913	\$ 5,613,959
Cash and cash equivalents - restricted			6,976,182		207,504	7,183,686	162,008
Investments	14,788					14,788	14,729
Sales taxes receivable	292,767					292,767	238,270
Property taxes receivable, net	213,172	69,891				283,063	280,571
Franchise taxes receivable	15,243					15,243	35,975
Grants receivable				-	1,817	1,817	6,219
Fines receivable, net	47,781					47,781	43,479
Other receivables	77,270				1,465	78,735	67,524
Due from other funds	638					638	1,300
Prepays	-				53,508	53,508	8,811
Inventory	14,866					14,866	16,701
Total Assets	\$ 3,380,322	\$ 164,997	\$ 6,976,182	\$ 1,526,313	\$ 266,991	\$ 12,314,805	\$ 6,489,546
Liabilities							
Accounts payable	142,032	424	6,816	-	7,805	157,077	131,718
Other accrued liabilities	1,747					1,747	10,765
Unearned grant revenues				1,434,436		1,434,436	1,199,284
Due to other funds						-	-
Total Liabilities	143,779	424	6,816	1,434,436	7,805	1,593,260	1,341,767
Deferred Inflows of Resources							
Unavailable property tax revenues	198,436	64,874	-	-		263,310	265,527
Unavailable court fine revenues	43,479					43,479	43,479
Total Deferred Inflows of Resources	241,915	64,874	-	-	-	306,789	309,006
Fund Balances							
Nonspendable:							
Inventory	14,866					14,866	25,512
Restricted for:							
Debt service		99,699				99,699	72,969
Court security & technology					59,276	59,276	57,949
Employee benefits					126,967	126,967	135,030
Hotel/motel					69,727	69,727	26,978
Police Department Seizures	13,539					13,539	13,539
Federal Seizures	4,601					4,601	4,601
Capital improvements			6,892,324			6,892,324	1,944,156
Committed for:							
Animal Shelter			77,042			77,042	115,000
Assigned for:							
Airport					3,206	3,206	756
Streets	93,231					93,231	121,231
Grants				91,877	-	91,877	90,643
Unassigned	2,868,391				10	2,868,401	2,230,409
Total Fund Balances	2,994,628	99,699	6,969,366	91,877	259,186	10,414,756	4,838,773
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,380,322	\$ 164,997	\$ 6,976,182	\$ 1,526,313	\$ 266,991	\$ 12,314,805	\$ 6,489,546

City of Commerce, Texas
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended September 30, 2022 and 2021

	General Fund	Debt Service	Capital Projects	Grants	Other Governmental Funds	Total Governmental Funds	
						2022	2021
Revenues:							
Ad valorem taxes	\$ 2,548,717	\$ 909,078	\$ -	\$ -	\$ -	\$ 3,457,795	\$ 3,190,934
Franchise taxes	518,608					518,608	499,580
Sales tax	1,461,792					1,461,792	1,294,019
Beverage tax	15,667					15,667	12,105
Hotel and motel tax					55,901	55,901	21,241
Payments in lieu of taxes	193,294					193,294	137,600
Fines	90,143				3,287	93,430	85,881
Administration fees from proprietary funds	754,875					754,875	646,600
Permits and inspection fees	118,822					118,822	90,234
Intergovernmental	59,208					59,208	31,689
Component unit administration fees	117,412					117,412	107,826
Other income	195,230				661,518	856,748	1,009,074
Donations	4,190				-	4,190	-
Charges for services	97,658				9,113	106,771	61,319
Rents and leases	7,300				3,117	10,417	13,455
Interest	117,380			1,234	1,010	119,624	42,347
Federal state and local grants	970,693			-	1,817	972,510	537,751
Capital grants					-	-	-
Total Revenues	7,270,989	909,078	-	1,234	735,763	8,917,064	7,781,655
Expenditures:							
Administration	1,785,715				683,743	2,469,458	2,734,839
Police department	2,075,431		459			2,075,890	1,676,834
Fire and emergency services	1,381,313					1,381,313	1,003,314
Public works	616,239					616,239	521,519
Parks and recreation	370,369				20,103	390,472	378,712
Community development	251,239					251,239	160,284
Judicial	68,879				1,960	70,839	61,372
Library	80,372					80,372	70,533
Airport					14,484	14,484	15,808
Capital outlay	19,096		1,090,100			1,109,196	246,088
Bond issuance costs			607,305			607,305	96,051
Debt Service:							
Principal		695,000				695,000	550,000
Interest and fiscal charges		187,348				187,348	259,411
Total Expenditures	6,648,653	882,348	1,697,864	-	720,290	9,949,155	7,774,765
Excess (Deficiency) of							
Revenues Over Expenditures	622,336	26,730	(1,697,864)	1,234	15,473	(1,032,091)	6,890
Other Financing Sources (Uses):							
Proceeds from long-term debt			13,362,224			13,362,224	1,701,787
Payment to bond refunding agent			(6,754,150)			(6,754,150)	
Proceeds from sale of capital assets						-	15,840
Operating transfers in (out)	(23,000)	-	-	-	23,000	-	(5,736)
Net Other Financing Sources (Uses)	(23,000)	-	6,608,074	-	23,000	6,608,074	1,711,891
Net change in fund balance	599,336	26,730	4,910,210	1,234	38,473	5,575,983	1,718,781
Fund balance, October 1	2,395,292	72,969	2,059,156	90,643	220,713	4,838,773	3,119,992
Fund balance, September 30	\$ 2,994,628	\$ 99,699	\$ 6,969,366	\$ 91,877	\$ 259,186	\$ 10,414,756	\$ 4,838,773

City of Commerce, Texas
Comparative Statements of Fund Net Position
Proprietary Funds
September 30, 2022 and 2021

	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	
			2022	2021
ASSETS				
Cash and cash equivalents	\$ 1,204,929	\$ 11,678	\$ 1,216,607	\$ 732,114
Investments	94,463		94,463	94,085
Accounts receivable, net	681,078		681,078	645,439
Grants receivable	281,387		281,387	-
Due from other funds				-
Inventory	55,680		55,680	61,392
Prepaid expenses	-		-	9,946
Total current assets	2,317,537	11,678	2,329,215	1,542,976
Cash and cash equivalents - restricted	2,748,048		2,748,048	1,633,777
Investments - restricted	76,244		76,244	75,704
Net pension asset	56,528		56,528	-
Total other non-current assets	2,880,820	-	2,880,820	1,709,481
Capital Assets:				
Non-depreciable land	639,255		639,255	639,255
Non-depreciable construction in progress	1,118,257		1,118,257	165,174
Water & sewer infrastructure	31,039,771		31,039,771	31,020,758
Equipment	3,490,102		3,490,102	3,428,543
Less accumulated depreciation	(21,458,460)		(21,458,460)	(20,470,175)
Capital assets, net	14,828,925	-	14,828,925	14,783,555
Deferred outflows - related to pensions and OPEB	67,900		67,900	39,141
Total deferred outflows of resources	67,900	-	67,900	39,141
Total assets and deferred outflows of resources	\$ 20,095,182	\$ 11,678	\$ 20,106,860	\$ 18,075,153
LIABILITIES				
Accounts payable	200,725	7,980	208,705	132,256
Accrued salaries and benefits	71,778		71,778	67,015
Other accrued liabilities	7,394		7,394	6,472
Accrued interest payable	4,280		4,280	4,280
Due to other funds	638		638	1,300
Bonds payable - current	476,000		476,000	457,000
Capital lease payable - current	220,276		220,276	326,945
Unearned revenue			-	-
Meter deposits payable	305,716		305,716	288,574
Total current liabilities	1,286,807	7,980	1,294,787	1,283,842
Accounts payable - restricted cash & cash equivalents	161,610		161,610	-
Bonds payable - long-term	7,712,611		7,712,611	6,353,314
Capital leases - long term	-		-	220,276
Net pension and OPEB liabilities	45,820		45,820	44,230
Total non-current liabilities	7,920,041	-	7,920,041	6,617,820
Total liabilities	9,206,848	7,980	9,214,828	7,901,662
Deferred inflows - related to pensions and OPEB	99,618		99,618	52,702
Total deferred inflows of resources	99,618	-	99,618	52,702
NET POSITION				
Net investment in capital assets	9,082,720		9,082,720	9,135,501
Unrestricted	1,705,996	3,698	1,709,694	985,288
Total Net Position	\$ 10,788,716	\$ 3,698	\$ 10,792,414	\$ 10,120,789

City of Commerce, Texas
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Years Ended September 30, 2022 and 2021

	Water and Sewer	Water District	Total Proprietary Funds	
			2022	2021
Operating Revenues:				
Charges for services	\$ 5,868,642	\$ -	\$ 5,868,642	\$ 4,659,796
Water sales	384,498	95,760	480,258	446,197
Penalties	75,068		75,068	82,881
Tap and reconnect fees	82,773		82,773	40,572
Other revenues	71,372		71,372	79,212
Total Operating Revenues	6,482,353	95,760	6,578,113	5,308,658
Operating Expenses:				
Salaries and benefits	1,074,903		1,074,903	884,188
Contracted services	1,290,464		1,290,464	1,080,024
Administration fees - general fund	464,072		464,072	646,600
Water purchases and related fees	472,278	95,760	568,038	549,937
Depreciation & amortization	988,285		988,285	978,541
Utilities and telephone	320,985		320,985	279,146
Repairs and facility maintenance	370,939		370,939	293,432
Chemicals	181,484		181,484	153,239
Payments in lieu of taxes	203,419		203,419	145,395
Bond issuance cost	90,389		90,389	59,474
Other operating expenses	586,743	190	586,933	427,136
Total Operating Expenses	6,043,961	95,950	6,139,911	5,497,112
Operating Income	438,392	(190)	438,202	(188,454)
Nonoperating Revenues (Expenses):				
Interest income	8,711	123	8,834	7,901
Interest and fiscal charges	(56,798)		(56,798)	(56,325)
Gain (loss) on sale of assets			-	-
Nonoperating Revenues (Expenses)	(48,087)	123	(47,964)	(48,424)
Income (loss) before transfers	390,305	(67)	390,238	(236,878)
Capital grants	281,387		281,387	-
Transfers in (out)	-		-	5,736
Change in net position	671,692	(67)	671,625	(231,142)
Net Position - October 1	10,117,024	3,765	10,120,789	10,351,931
Net Position, September 30	\$ 10,788,716	\$ 3,698	\$ 10,792,414	\$ 10,120,789

BASIC FINANCIAL STATEMENTS

City of Commerce, Texas
Statement of Net Position
September 30, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 4,203,503	\$ 1,216,607	\$ 5,420,110	\$ 3,869,870
Investments	14,788	94,463	109,251	
Property taxes receivable, net	213,172		213,172	
Sales taxes receivable	292,767		292,767	146,384
Franchise taxes receivable	15,243		15,243	
Grants receivable	1,817	281,387	283,204	
Fines receivable, net	47,781		47,781	
Accounts receivable, net		681,078	681,078	
Other receivables	78,735		78,735	
Internal balances	638	(638)	-	
Inventory	14,866	55,680	70,546	
Net pension asset	457,269	56,528	513,797	
Restricted assets:				
Cash and cash equivalents	7,183,686	2,748,048	9,931,734	70,728
Property taxes receivable, net	69,891		69,891	
Prepaid expenses	53,508		53,508	
Other receivables				35,054
Investments		76,244	76,244	
Capital assets:				
Land	544,304	639,255	1,183,559	476,717
Construction in progress	593,388	1,118,257	1,711,645	
Capital assets, net	14,118,537	13,071,413	27,189,950	
Total Assets	27,903,893	20,038,322	47,942,215	4,598,753
Deferred Outflows of Resources				
Deferred outflows-related to pensions	457,281	57,684	514,965	
Deferred outflows-related to OPEB	58,770	10,216	68,986	
Total Deferred Outflows of Resources	516,051	67,900	583,951	-
LIABILITIES				
Accounts payable	147,420	208,705	356,125	58,291
Accrued salaries and benefits	268,298	71,778	340,076	38,901
Other accrued expenses	12,247	7,394	19,641	
Accounts payable - from restricted assets	15,045	161,610	176,655	
Accrued interest	64,912	4,280	69,192	
Meter deposits payable		305,716	305,716	
Unearned grant revenues	1,434,436		1,434,436	
Net pension liability	-	-	-	
Total OPEB liability	370,734	45,820	416,554	
Long-term liabilities:				
Due within one year:				
Bonds payable	459,926	476,000	935,926	
Lease obligations	375,847	220,276	596,123	
Due in more than one year:				
Bonds payable	14,130,405	7,712,611	21,843,016	
Lease obligations	550,940	-	550,940	
Total Liabilities	17,830,210	9,214,190	27,044,400	97,192
Deferred Inflows of Resources				
Deferred inflows-related to pensions	759,595	95,054	854,649	
Deferred inflows-related to OPEB	13,052	4,564	17,616	
Total Deferred Inflows of Resources	772,647	99,618	872,265	-
NET POSITION				
Net investment in capital assets	6,631,435	9,082,720	15,714,155	476,717
Restricted for debt service	99,661		99,661	
Restricted for hotel/motel tax use	69,727		69,727	
Restricted for employee benefits	126,967		126,967	
Restricted for court security & technology	59,276		59,276	
Restricted for police department & federal seizures	18,140		18,140	
Restricted for USDA revolving loan program				105,782
Restricted for governmental activities capital projects				
\$6,892,324 net of related debt \$6,892,324				
Restricted for business-type activities capital projects				
\$2,662,682 net of related debt \$2,662,682				
Unrestricted	2,811,881	1,709,694	4,521,575	3,919,062
Total Net Position	\$ 9,817,087	\$ 10,792,414	\$ 20,609,501	\$ 4,501,561

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Statement of Activities
Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
Governmental activities:								
Administration	\$ 1,869,701	\$ 980,362	\$ 968,103	\$ -	\$ 78,764	\$ -	\$ 78,764	\$ -
Police department	2,056,099		1,600		(2,054,499)		(2,054,499)	
Fire and emergency services	1,417,055	59,208	2,590		(1,357,847)		(1,357,847)	
Public works	826,025	198,652			(624,783)		(624,783)	
Parks and recreation	399,420	9,113			(390,307)		(390,307)	
Community development	243,125				(243,125)		(243,125)	
Judicial	67,556	93,430			25,874		25,874	
Library	77,067				(77,067)		(77,067)	
Airport	153,111		1,817		(151,294)		(151,294)	
Economic development								(293,306)
Bond issuance cost	607,305				(607,305)		(607,305)	
Interest and fiscal charges	252,443				(252,443)		(252,443)	
Total governmental activities	7,968,907	1,340,765	974,110	-	(5,654,032)	-	(5,654,032)	(293,306)
Business-type activities:								
Water, Sewer, Environmental Waste services	6,196,709	6,578,113		281,387		662,791	662,791	
Total business-type activities	6,196,709	6,578,113	-	281,387	-	662,791	662,791	
Total all activities	\$ 14,165,616	\$ 7,918,878	\$ 974,110	\$ 281,387	\$ (5,654,032)	\$ 662,791	\$ (4,991,241)	\$ (293,306)
General revenues:								
					3,455,578		3,455,578	
Ad valorem taxes					1,461,792		1,461,792	730,896
Sales taxes					15,667		15,667	
Beverage tax					518,608		518,608	
Franchise taxes					193,294		193,294	
Payments in lieu of taxes					55,901		55,901	
Hotel taxes					117,990		117,990	
Other income and contributions								
Gain on sale of capital assets							-	279,316
Unrestricted investment earnings					119,624	8,834	128,458	47,374
Transfers					-	-	-	
Total general revenues and transfers					5,938,454	8,834	5,947,288	1,057,586
Change in net position					284,422	671,625	956,047	764,280
Net position -beginning of year					9,532,665	10,120,789	19,653,454	3,737,281
Net position-end of year					\$ 9,817,087	\$ 10,792,414	\$ 20,609,501	\$ 4,501,561

The accompanying notes are an integral of this financial statement.

City of Commerce, Texas
Balance Sheet
Governmental Funds
September 30, 2022

	General	Debt Service	Capital Projects	Grants	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,703,797	\$ 95,106	\$ -	\$ 1,526,313	\$ 2,697	\$ 4,327,913
Cash and cash equivalents-restricted			6,976,182		207,504	7,183,686
Investments	14,788					14,788
Sales taxes receivable	292,767					292,767
Property taxes receivable, net	213,172	69,891				283,063
Franchise taxes receivable	15,243					15,243
Grants receivable					1,817	1,817
Fines receivable, net	47,781					47,781
Other receivables	77,270				1,465	78,735
Due from other funds	638					638
Prepays	-				53,508	53,508
Inventory	14,866					14,866
Total Assets	\$ 3,380,322	\$ 164,997	\$ 6,976,182	\$ 1,526,313	\$ 266,991	\$ 12,314,805
Liabilities						
Accounts payable	142,032	424	6,816		7,805	157,077
Other accrued liabilities	1,747					1,747
Unearned grant revenues				1,434,436	-	1,434,436
Total Liabilities	143,779	424	6,816	1,434,436	7,805	1,593,260
Deferred Inflows of Resources						
Unavailable property tax revenues	198,436	64,874				263,310
Unavailable court fine revenues	43,479					43,479
Total Deferred Inflows of Resources	241,915	64,874	-	-	-	306,789
Fund Balances						
Nonspendable:						
Inventory and Prepays	14,866					14,866
Restricted for:						
Debt service		99,699				99,699
Court security & technology					59,276	59,276
Employee benefits					126,967	126,967
Hotel/motel					69,727	69,727
Police Department Seizures	13,539					13,539
Federal Seizures	4,601					4,601
Capital improvements			6,892,324			6,892,324
Committed for:						
Animal shelter			77,042			77,042
Capital improvements						-
Assigned for:						
Airport					3,206	3,206
Streets	93,231					93,231
Grants				91,877		91,877
Unassigned	2,868,391				10	2,868,401
Total Fund Balances	2,994,628	99,699	6,969,366	91,877	259,186	10,414,756
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,380,322	\$ 164,997	\$ 6,976,182	\$ 1,526,313	\$ 266,991	\$ 12,314,805

Governmental fund balances as presented above:

\$ 10,414,756

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

Capital assets reported in the statement of net position do not represent current financial resources and are not reported in the fund balance sheet.

13,599,842

Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred inflows of property taxes of \$263,310 and court fines of \$43,479.

306,789

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but do not become a liability in the fund statements until the date due.

(64,912)

An internal service fund is used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

589,302

Long-term amounts for related pension assets \$457,269, deferred outflows related to pensions \$457,281, and deferred inflows related to pensions (\$759,595) are not recorded in the funds.

154,955

Long-term liabilities for related total OPEB liability (\$370,734) and deferred inflows related to OPEB (\$13,052), and deferred outflows related to OPEB \$58,770 are not recorded in the funds.

(325,016)

Long-term liabilities are reported in the statement of net position but are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. This amount consists of bonds payable (\$14,590,331) and long-term compensated absences (\$268,298).

(14,858,629)

Net Position - Governmental Activities

\$ 9,817,087

City of Commerce, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2022

	General Fund	Debt Service	Capital Projects	Grants	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	\$ 2,548,717	\$ 909,078	\$ -	\$ -	\$ -	\$ 3,457,795
Franchise taxes	518,608					518,608
Sales tax	1,461,792					1,461,792
Beverage tax	15,667					15,667
Hotel and motel tax					55,901	55,901
Payments in lieu of taxes	193,294					193,294
Fines	90,143				3,287	93,430
Administration fees - proprietary funds	754,875					754,875
Permits and inspection fees	118,822					118,822
Intergovernmental	59,208					59,208
Component unit administration fees	117,412					117,412
Other income	195,230				661,518	856,748
Donations	4,190				-	4,190
Charges for services	97,658				9,113	106,771
Rents and leases	7,300				3,117	10,417
Interest	117,380			1,234	1,010	119,624
Federal, state and local grants	970,693			-	1,817	972,510
Capital grants					-	-
Total Revenues	7,270,989	909,078	-	1,234	735,763	8,917,064
Expenditures:						
Administration	1,785,715			-	683,743	2,469,458
Police department	2,075,431		459			2,075,890
Fire and emergency services	1,381,313					1,381,313
Public works	616,239					616,239
Parks and recreation	370,369				20,103	390,472
Community development	251,239					251,239
Judicial	68,879				1,960	70,839
Library	80,372					80,372
Airport					14,484	14,484
Bond issue costs			607,305			607,305
Capital outlay	19,096		1,090,100	-		1,109,196
Debt Service:						
Principal		695,000				695,000
Interest and fiscal charges		187,348				187,348
Total Expenditures	6,648,653	882,348	1,697,864	-	720,290	9,949,155
Excess (Deficiency) of Revenues Over (Under) Expenditures	622,336	26,730	(1,697,864)	1,234	15,473	(1,032,091)
Other Financing Sources (Uses):						
Proceeds from long-term debt			13,362,224			13,362,224
Payment to bond refunding agent			(6,754,150)			(6,754,150)
Proceeds from sale of capital assets	-					-
Operating transfers in (out)	(23,000)	-	-	-	23,000	-
Net Other Financing Sources (Uses)	(23,000)	-	6,608,074	-	23,000	6,608,074
Net change in fund balance	599,336	26,730	4,910,210	1,234	38,473	5,575,983
Fund balance, beginning	2,395,292	72,969	2,059,156	90,643	220,713	4,838,773
Fund balance, ending	\$ 2,994,628	\$ 99,699	\$ 6,969,366	\$ 91,877	\$ 259,186	\$ 10,414,756

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2022

Net change in fund balances - total governmental funds (from previous page) **\$ 5,575,983**

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

Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$1,109,196 exceeded depreciation expense of (\$705,461). 403,735

An internal service fund is used by management to charge the use of fleet management to individual funds. The change in net position of (\$54,769) is included in governmental activities. (54,769)

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$7,340,000 less bonds issued (\$13,362,224). (6,022,224)

Changes in long-term liability for the compensated absences obligation does not require the use of current resources and therefore is not recorded in the funds. 42,327

Changes in long term amounts for net pension assets \$471,312, the related deferred outflows of resources related to pensions \$240,804 and the related deferred inflows of resources related to pensions (\$388,201) are not recorded in the funds. 323,915

Changes in long term amounts for total OPEB liabilities (\$26,907), and the related deferred outflows of resources related to OPEB \$41,964, and the related deferred inflows of resources related to OPEB (\$41,440), are not recorded in the funds. (26,383)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of (\$2,217). (2,217)

Amortization of bond premiums in not recorded in the funds, but decreases interest expense over time in the statement of activities. This is the amount of amorization of premiums for the year. 76,416

Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This represents the increase in accrued interest on debt of (\$32,361). (32,361)

Change in net position - governmental activities **\$ 284,422**

City of Commerce, Texas
Statement of Fund Net Position
Proprietary Funds
September 30, 2022

	Business-type Activities			Governmental Activities
	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Internal Service Fund
ASSETS				
Cash and cash equivalents/(book overdraft)	\$ 1,204,929	\$ 11,678	\$ 1,216,607	\$ (124,410)
Investments	94,463		94,463	
Accounts receivable, net	681,078		681,078	
Grants receivable	281,387		281,387	
Inventory	55,680		55,680	
Prepaid expenses	-		-	
Total current assets	2,317,537	11,678	2,329,215	(124,410)
Cash and cash equivalents - restricted	2,748,048		2,748,048	
Investments - restricted	76,244		76,244	
Net pension asset	56,528		56,528	
Total other non-current assets	2,880,820	-	2,880,820	-
Capital Assets:				
Non-depreciable land	639,255		639,255	
Non-depreciable Construction in progress	1,118,257		1,118,257	
Water & sewer infrastructure	31,039,771		31,039,771	
Equipment	3,490,102		3,490,102	3,337,907
Less accumulated depreciation	(21,458,460)		(21,458,460)	(1,681,520)
Capital Assets, net	14,828,925	-	14,828,925	1,656,387
Deferred outflows of resources:				
Deferred outflows - related to pensions	57,684		57,684	
Deferred outflows - related to OPEB	10,216		10,216	
Total deferred outflows of resources	67,900	-	67,900	-
Total assets and deferred outflows of resources	\$ 20,095,182	\$ 11,678	\$ 20,106,860	\$ 1,531,977
LIABILITIES				
Accounts payable	200,725	7,980	208,705	5,388
Accrued salaries and benefits	71,778		71,778	
Other accrued liabilities	7,394		7,394	10,500
Accrued interest payable	4,280		4,280	
Due to other funds	638		638	
Bonds payable - current	476,000		476,000	
Lease obligations - current	220,276		220,276	375,847
Meter deposits payable	305,716		305,716	
Total current liabilities	1,286,807	7,980	1,294,787	391,735
Accounts payable - restricted cash and cash equivalents	161,610		161,610	
Bonds payable - long-term	7,712,611		7,712,611	
Lease obligations - long-term	-		-	550,940
Net pension liability	-		-	
Total OPEB liability	45,820		45,820	
Total non-current liabilities	7,920,041	-	7,920,041	550,940
Total liabilities	9,206,848	7,980	9,214,828	942,675
Deferred inflows of resources:				
Deferred inflows - related to pensions	95,054		95,054	
Deferred inflows - related to OPEB	4,564		4,564	
Total deferred inflows of resources	99,618	-	99,618	-
NET POSITION				
Net investment in capital assets	9,082,720		9,082,720	729,600
Restricted for capital projects, \$2,662,282 net of related debt \$2,662,282			-	
Unrestricted	1,705,996	3,698	1,709,694	(140,298)
Total Net Position	\$ 10,788,716	\$ 3,698	\$ 10,792,414	\$ 589,302

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2022

	Business-type Activities			Governmental Activities
	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 5,868,642	\$ -	\$ 5,868,642	\$ 278,402
Water sales	384,498	95,760	480,258	
Penalties	75,068		75,068	
Tap and reconnect fees	82,773		82,773	
Other revenues	71,372		71,372	
Total Operating Revenues	6,482,353	95,760	6,578,113	278,402
Operating Expenses:				
Salaries and benefits	1,074,903		1,074,903	
Contracted services	1,290,464		1,290,464	
Administration fees - general fund	464,072		464,072	
Water purchases and related fees	472,278	95,760	568,038	
Depreciation & amortization	988,285		988,285	278,488
Utilities	320,985		320,985	
Repairs and facility maintenance	370,939		370,939	
Chemicals	181,484		181,484	
Payments in lieu of taxes	203,419		203,419	
Bond issuance cost	90,389		90,389	
Other operating expenses	586,743	190	586,933	
Total Operating Expenses	6,043,961	95,950	6,139,911	278,488
Operating Income	438,392	(190)	438,202	(86)
Nonoperating Revenues (Expenses):				
Interest income	8,711	123	8,834	
Interest and fiscal charges	(56,798)		(56,798)	(56,614)
Gain (loss) on sale of assets				1,931
Nonoperating Revenues (Expenses)	(48,087)	123	(47,964)	(54,683)
Income (loss) before transfers	390,305	(67)	390,238	(54,769)
Capital grants	281,387		281,387	
Transfers in (out)	-		-	
Change in net position	671,692	(67)	671,625	(54,769)
Net Position, October 1	10,117,024	3,765	10,120,789	644,071
Net Position, September 30	\$ 10,788,716	\$ 3,698	\$ 10,792,414	\$ 589,302

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2022

	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Governmental Activities Internal Service Fund
Cash flows from operating activities:				
Cash received from customers and users	\$ 6,443,715	\$ 95,760	\$ 6,539,475	\$ -
Cash received from internal charges to other funds			-	278,402
Cash paid to employees	(1,105,999)		(1,105,999)	
Cash paid for internal charges to General Fund	(464,072)		(464,072)	
Cash paid to vendors	(3,424,595)	(95,950)	(3,520,545)	(204)
Net cash provided (used) by operating activities	1,449,049	(190)	1,448,859	278,198
Cash flows from noncapital financing activities:				
Change in customer deposits	17,142		17,142	
Transfers in from other funds			-	
Increase (decrease) in due to/from other funds	(662)		(662)	
Net cash provided (used) by noncapital financing activities	16,480	-	16,480	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(872,045)		(872,045)	(85,126)
Proceeds from sale of capital assets			-	1,931
Cash received from capital grants				
Proceeds from issuance of bonds	1,839,620		1,839,620	
Principal payments - bonds payable	(457,000)		(457,000)	
Principal payments - lease obligations	(326,945)		(326,945)	(312,880)
Interest paid on bonds and capital lease obligations	(61,122)		(61,122)	(56,614)
Net cash provided (used) by capital and related financing activities	122,508	-	122,508	(452,689)
Cash flows from investing activities:				
Net redemptions (purchases) of investments	2,082		2,082	
Investment earnings	8,711	124	8,835	
Net cash provided (used) by investing activities	10,793	124	10,917	-
Net change in cash and cash equivalents	1,598,830	(66)	1,598,764	(174,491)
Cash and cash equivalents - beginning of year	2,354,147	11,744	2,365,891	50,081
Cash and cash equivalents - end of year	\$ 3,952,977	\$ 11,678	\$ 3,964,655	\$ (124,410)
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 438,392	\$ (190)	\$ 438,202	\$ (86)
Adjustments to reconcile operating results to net cash provided (used) by operating activities:				
Depreciation	988,285		988,285	278,488
(Increase) decrease in accounts receivable	(38,638)		(38,638)	
(Increase) decrease in prepaid expenses	9,946		9,946	
(Increase) decrease in inventory	5,712		5,712	
(Increase) decrease in deferred outflows - related to pensions	(30,929)		(30,929)	
(Increase) decrease in deferred outflows - related to OPEB	2,170		2,170	
Increase (decrease) in accounts payable	76,448		76,448	(204)
Increase (decrease) in accrued salaries and benefits	5,685		5,685	
Increase (decrease) in net pension liability	(58,264)		(58,264)	
Increase (decrease) in total OPEB liability	3,326		3,326	
Increase (decrease) in deferred inflows - related to pensions	49,151		49,151	
Increase (decrease) in deferred inflows - related to OPEB	(2,235)		(2,235)	
Total adjustments	1,010,657	-	1,010,657	278,284
Net cash provided (used) by operating activities	\$ 1,449,049	\$ (190)	\$ 1,448,859	\$ 278,198
Noncash investing, capital, and financing activities				
Capital assets acquired through lease obligations	\$ -	\$ -	\$ -	\$ 283,663

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2022

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Commerce, Texas and its component units, Commerce Economic Development Corporation and Commerce Water District, collectively identified as the "City" have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2022.

(A) Reporting Entity and Related Organizations

The City was incorporated in 1885. The City is a municipal corporation governed by an elected mayor and a four member City Council. The City provides general administration, public works, police and judicial, fire and emergency services, water and sewer services, and waste management services to its residents. The Council hires a City Manager for day to day operations.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental "reporting entity" as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2022:

Discretely Presented Component Unit:

Commerce Economic Development Corporation (CEDC) - CEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CEDC board for cause. CEDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Commerce, Texas.

1. **Introduction and Summary of Significant Accounting Policies - continued**

Blended Component Unit:

Commerce Water District (CWD) – CWD owns water distribution facilities in order to provide treated water to the City of Commerce, Texas. The CWD is governed by a board appointed by the City Council.

Neither CEDC nor CWD prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported in separate columns with composite columns for non-major funds.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions unless they conflict with GASB pronouncements.

1. Introduction and Summary of Significant Accounting Policies - continued

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units are also prepared using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest payments and compensated absences which are reported as expenditures when they are due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary funds are charges to customers for water and sewer sales or services and solid waste disposal fees. Principal operating expenses are the costs of providing these goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(D) Fund Types and Major Funds

Governmental Funds - The City reports the following major governmental funds:

General Fund - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

Capital Projects Fund - accounts for the proceeds of a bond issue that will be utilized for capital improvement.

Grants Fund - accounts for the receipt and expenditure of grant funds.

1. **Introduction and Summary of Significant Accounting Policies – continued**

Additionally, the City maintains the following non-major governmental funds:

Airport Fund - accounts for the activities of the City's airport.

Recreational Programs Fund - accounts for the operating activities of certain City recreational programs.

Hotel/Motel Tax Fund - accounts for the collections and related expenditures of the City Hotel/Motel tax.

Employee Benefits Trust Fund - accounts for contributions and related expenditures made for City employee benefits.

Municipal Court Security Fund – accounts the portion of fines revenue designated for funding security services for the municipal court building.

Municipal Court Technology Fund – accounts the portion of fines revenue designated for the purchase or maintenance of technological enhancements for the municipal court.

Proprietary Funds - The City reports the following major proprietary funds:

Water, Sewer, and Environmental Waste Services Fund - accounts for the operating activities of the City's water, sewer, and environmental waste utility services.

Additionally, the City reports the following non-major proprietary funds:

Commerce Water District Fund – accounts for the purchase and sale of water to the Sabine Water Authority. Activities of the fund include water purchases, water sales, and administration fees.

Internal Service Fund – accounts for the financing of goods and services provided by the fund to other funds and departments on a cost reimbursement basis.

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City maintains cash and investment pools which are shared by the various governmental and proprietary funds. In addition, non-pooled cash and investments are separately held and reflected in the respective individual funds. These pooled and non-pooled cash and investment pools are displayed on its respective balance sheet as "cash and cash equivalents" and "investments."

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value. Bank certificates of deposit are carried at cost which approximates fair value.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

1. Introduction and Summary of Significant Accounting Policies – continued

Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaid items are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if donated, at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty on the acquisition date. These assets are comprehensively reported in the government-wide financial statements. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20 - 40
Road infrastructure	20 - 25
Water & sewer infrastructure & rights	20 - 40
Vehicles	7
Furniture, machinery, and equipment	5 - 10

Pensions

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

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave and comp time is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick

1. **Introduction and Summary of Significant Accounting Policies – continued**

leave is not paid upon termination of employment. Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issuance costs are charged to expense or expenditure when incurred. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent the acquisition of resources that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time.

Fund Equity

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council. The City Council delegates the responsibility to assign funds to the City Manager, Director of Finance, or other designee as determined by the Council.

Unassigned - all other spendable amounts in the general fund.

When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

1. Introduction and Summary of Significant Accounting Policies – continued

(F) 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; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager submits an annual budget to the City Council in accordance with the laws of the State of Texas and the city charter. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund has an approved budget that is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the individual fund level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on a basis consistent with GAAP. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented using this accounting basis. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of City of Commerce, Texas (primary government) and its component units, CEDC and CWD, are fully insured or collateralized with securities held by the City or component unit, its agent, or by the pledging financial institution's trust department or agent in the name of the City or component unit, respectively at year-end.

Investments

Investments, when applicable, are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the City had no investments subject to the fair value hierarchy established by generally accepted accounting principles. For investments in local government pools, the reported value of the pool is the same as the fair value of the pool shares.

Below are the City's investments stated fair value at fiscal year-end:

	Fair Value	Rating	Weighted Average Maturity (Days)
TexSTAR	\$ 76,244	AAAm	43
Certificates of deposit	109,251	N/A	266
Total investments	<u>\$ 185,495</u>		

Ratings are provided where applicable to indicate associated **credit risk**.

During the year ended September 30, 2022 the City invested in certificates of deposit and TexSTAR.

TexSTAR, a public funds investment pool created and managed by First Southwest Asset Management, Inc. is empowered to invest funds and act as custodian of investments purchased by local governments. Authorized investments of TexSTAR include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. The carrying amount of the City's investment in TexSTAR is at fair value. At year-end, the carrying amount and fair value of the City's investment in TexSTAR was \$76,244.

3. Deposits and Investments – continued

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City Finance Director. Investing is performed in accordance with investment policies adopted by the City Council in compliance with the Public Funds Investment Act. City investment policy and state statute generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, public funds investment pools, United States treasuries and securities with the United States government's guarantee; obligations of United States government agencies and instrumentalities; and money market funds. During the year ended September 30, 2022, the City did not own any types of securities other than those permitted by the Public Funds Investment Act or by its investment policy. The City substantially complied with the provisions of the Public Funds Investment Act during the year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. City policy also states that unless matched to a specific cash flow requirement, the City may not invest any portion of the City portfolio for a period greater than two years.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types to eliminate the risk of loss from over-concentration of assets in a specific issuer, or a specific class of securities. City investment policy states that with the exception of U. S. Treasury securities, no more than 50% of the City's investment portfolio will be invested in a single security type or with a single financial institution.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy on safekeeping and custody requires that investments shall be held through third-party safekeeping agreements. All investment funds shall be placed directly with qualified financial institutions selected through the City's banking procurement process. All transactions shall be executed on a delivery versus payment basis.

4. Receivables, Uncollectible Accounts, and Deferred Revenue

Proprietary Fund Receivables, Uncollectible Accounts and Deferred Revenue

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Proprietary Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. Following is the detail of the Proprietary Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	\$ 709,070
Less: allowance for uncollectible accounts	(27,992)
Net accounts receivable	<u>\$ 681,078</u>

4. **Receivables, Uncollectible Accounts, and Deferred Revenue - continued**

Property Taxes Receivable, Deferred Inflows of Resources, and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Hunt County Tax Appraisal District at 100% of market value.

The property tax rate for the year ended September 30, 2022 was 0.820000 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

Maintenance and operations - General Fund	0.602703
Debt Service Fund	0.217297
Total tax rate	<u>0.820000</u>

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is expected to be received. Management has recorded a 10% allowance for uncollectible delinquent property taxes of \$23,686 at year-end.

The City's full year property tax calendar is as follows:

- October 1: Full year tax levy assessed for the current fiscal year-taxes are due and payable.
- January 1: Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.
- February 1: Penalty and interest charges begin to accrue on unpaid past due taxes.
- July 1: Taxes become delinquent and are subject to attorney fees incurred for collection.

Allowance for Uncollectible Taxes

No provisions are made for uncollectible sales tax receivables or grants receivable as management estimates that these amounts will be fully collectible.

4. Receivables, Uncollectible Accounts, and Deferred Revenue – continued

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the modified accrual basis. Estimated amounts collected within 60 days of year end are accrued in the General Fund.

In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities have been determined based on distribution requirements of the State of Texas.

Following is a summary of fines receivable and the related allowances at year end:

Gross amount of outstanding fines	\$ 530,880
Less allowance for uncollectible amounts	<u>(435,320)</u>
Net estimated fine collections	95,560
Less estimated collections due to the State	<u>(47,779)</u>
City fines receivable, net of allowances	<u>\$ 47,781</u>

5. Capital Assets

Following is a summary of changes in capital assets for the year:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 506,804	\$ 37,500	\$ -	\$ 544,304
Construction in progress	47,997	545,391		593,388
Non-depreciable capital assets	<u>554,801</u>	<u>582,891</u>	<u>-</u>	<u>1,137,692</u>
Depreciable capital assets:				
Buildings & improvements	7,581,338	14,908	-	7,596,246
Infrastructure	10,977,918	526,305	-	11,504,223
Machinery & equipment	4,539,172	369,771	(46,901)	4,862,042
Depreciable capital assets	<u>23,098,428</u>	<u>910,984</u>	<u>(46,901)</u>	<u>23,962,511</u>
Less: accumulated depreciation	<u>(8,906,925)</u>	<u>(983,950)</u>	<u>46,901</u>	<u>(9,843,974)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 14,746,304</u>	<u>\$ 509,925</u>	<u>-</u>	<u>\$ 15,256,229</u>
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 639,255	\$ -	\$ -	\$ 639,255
Construction in progress	165,174	953,083	-	1,118,257
Non-depreciable capital assets	<u>804,429</u>	<u>953,083</u>	<u>-</u>	<u>1,757,512</u>
Depreciable capital assets:				
Machinery & equipment	3,428,544	61,559	-	3,490,103
Water & sewer system	31,020,757	19,013	-	31,039,770
Depreciable capital assets	<u>34,449,301</u>	<u>80,572</u>	<u>-</u>	<u>34,529,873</u>
Less: accumulated depreciation	<u>(20,470,175)</u>	<u>(988,285)</u>	<u>-</u>	<u>(21,458,460)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 14,783,555</u>	<u>\$ 45,370</u>	<u>\$ -</u>	<u>\$ 14,828,925</u>
Component Unit:				
Non-depreciable capital assets:				
Land	\$ 485,221	\$ -	\$ (8,504)	\$ 476,717
Component Unit				
Capital Assets, Net	<u>\$ 485,221</u>	<u>\$ -</u>	<u>\$ (8,504)</u>	<u>\$ 476,717</u>

For business-type activities - the gross amount of assets included in the machinery and equipment category above which are recorded under lease obligations pursuant to GASB 87 is \$2,118,868. Accumulated amortization of these assets is \$2,063,147. Net book value is \$55,721. Amortization expense of \$188,819 is included in depreciation expense.

5. Capital Assets – continued

For governmental activities - the gross amount of assets included in the machinery and equipment category above which are recorded under lease obligations pursuant to GASB 87 is \$1,951,993. Accumulated amortization of these assets is \$649,985. Net book value is \$1,302,008. Amortization expense of \$213,222 is included in depreciation expense.

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	\$	140,339
Community development		3,245
Fire & emergency services		98,772
Airport		138,627
Parks and recreation		24,376
Police		62,580
Public works		237,522
Internal service fund		278,488
Total	\$	<u>983,949</u>

Depreciation expense recorded in business-type activities and the Water and Sewer Fund was \$988,285.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

Certificates of obligation bonds issued by the City are backed by the full faith and credit of the City. These bonds are to be repaid with property taxes levied for debt service and recorded in the Debt Service Fund. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level. Other debt issued to support governmental activities are capital lease obligations which are primarily paid from the General Fund.

Interest expense for governmental activities was \$252,443, net of \$76,416 of premium amortization. This is reported as a separate line item in the statement of activities. No interest was capitalized in governmental activities.

Business-type Activities - Revenue Bonds

Revenue bonds consist of debt issued to support activities of the Water and Sewer Proprietary Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system. Other debt issued to support business-type activities are capital lease obligations which are secured by the equipment purchased with the capital lease proceeds.

Interest expense for business-type activities and the Water and Sewer Proprietary Fund was \$56,798, net of \$4,324 of premium amortization. No interest was capitalized in business-type activities or the Proprietary Fund.

6. Long-Term Obligations – continued

Following is a summary of changes in bonds payable and lease obligations for the year:

<i>Governmental Activities</i>	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>	<u>Due Within One Year</u>
<i>Direct Borrowings</i>					
Combination Tax & Revenue Certificates of Obligation Series 2006, 4.06%, 2006-2026	\$ 114,955	\$ -	\$ (40,000)	\$ 74,955	\$ 40,000
Combination Tax & Revenue Certificates of Obligation Series 2008, 3.79%, 2008-2023	114,926		(55,000)	59,926	59,926
General Obligation Refunding and Improvement Bonds Maturities 2013-2037 Series 2012, 2.0%-3.75%	6,915,000		(6,915,000)	-	-
Combination Tax & Revenue Certificates of Obligation Maturities 2021-2040 Series 2021, 1.25%-3.75%	1,420,000		(35,000)	1,385,000	35,000
General Obligation Refunding Bonds Maturities 2022-2037 Series 2021, 1.75%-4.00%		6,450,000	(295,000)	6,155,000	240,000
Combination Tax & Revenue Certificates of Obligation Maturities 2023-2042 Series 2022, 3.00%-3.375%		6,295,000		6,295,000	85,000
Bond premium	79,642	617,224	(76,416)	620,450	
Lease obligations	<u>956,002</u>	<u>283,664</u>	<u>(312,879)</u>	<u>926,787</u>	<u>375,847</u>
Total Governmental Activities	<u>\$ 9,600,525</u>	<u>\$ 13,645,888</u>	<u>\$ (7,729,295)</u>	<u>\$ 15,517,118</u>	<u>\$ 835,773</u>

General Obligation Refunding Bonds, Series 2021

During fiscal year 2022, the City issued general obligation refunding bonds in the amount of \$6,450,000 at a premium of \$601,374 with coupon interest rates ranging from of 3.0% to 3.750%. These bonds were issued as a current refunding of Series 2012 General Obligation Refunding & Improvement bonds. The refunded bonds were scheduled to mature in 2037. The Series 2021 general obligation refunding bonds were issued at a premium and, after paying issuance costs of \$297,223, the net proceeds were \$6,754,150. As a result of this current refunding, the City decreased its total debt service (cash flow) requirements by \$800,941, which resulted in an economic gain (difference between the present value of the debt service requirements on the old and new debt) of \$642,308.

6. Long-Term Obligations – continued

Business-type Activities

<i>Direct Borrowings</i>	Beginning	Issued	Retired	Ending	Due Within One Year
Combination Tax & Revenue Certificates of Obligation Series 2007, 0%, 2007-2027	\$ 600,000	\$ -	\$ (100,000)	\$ 500,000	\$ 100,000
Combination Tax & Revenue Certificate of Obligation Series 2010-A, 0%, 2010-2040	1,545,000		(81,000)	1,464,000	81,000
Combination Tax & Revenue Certificate of Obligation Series 2010-B, 0%, 2010-2040	322,000		(16,000)	306,000	17,000
Combination Tax & Revenue Certificate of Obligation Series 2010-C, 0%, 2010-2040	2,225,000		(115,000)	2,110,000	115,000
General Obligation Refunding and Improvement Bonds Series 2017, 2.6%, 2017-2029	1,069,000		(125,000)	944,000	128,000
Combination Tax & Revenue Certificates of Obligation Maturities 2021-2040 Series 2021, 1.25%-2.75%	1,000,000		(20,000)	980,000	20,000
Combination Tax & Revenue Certificates of Obligation Maturities 2023-2042 Series 2022, 3.00%-3.375%		1,835,000		1,835,000	15,000
Bond premium	49,314	4,620	(4,324)	49,610	
Lease obligations	547,221		(326,945)	\$ 220,276	220,276
Total Business-type Activities	\$ 7,357,535	\$ 1,839,620	\$ (788,269)	\$ 8,408,886	\$ 696,276

The City's general obligation bonds are guaranteed by the full faith and credit of the City. The bond issues are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. Current requirements for principal and interest of these obligations are accounted for in the Debt Service Fund.

Certificates of obligation bonds represent general obligations of the City and are backed by the full faith and credit of the City and require the City to annual assess ad valorem taxes sufficient to provide for payment of the certificates as they mature. The certificates are additionally secured by and payable from a pledge of surplus revenues of the City's water and wastewater system that remain (1) after payment of all operation and maintenance expenses thereof and (2) after payment of all debt service, reserve and other requirements in connection with all of the City's revenue obligations.

Terms of the certificates of obligation bonds require the City to establish sinking funds in order to accumulate resources for the repayment of principal and interest on the bonds as they mature. At year-end the City was in compliance with these sinking fund requirements. Amounts set aside to meet interest and sinking fund requirements are reflected as restricted cash or restricted investments at year-end.

6. Long-Term Obligations – continued

Capital lease agreements represent general obligations of the City, and are secured by the equipment acquired by the lease. Current requirements for principal and interest of lease obligations are accounted for in the appropriate fund for which the liability was incurred.

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt and lease obligations for governmental activities exclusive of bond premium are as follows at year-end:

Year Ending September 30,	<i>Governmental Activities</i>					
	Bonds Payable		Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 459,926	\$ 463,010	\$ 375,847	\$ 30,321	\$ 835,773	\$ 493,331
2024	524,955	396,004	246,209	16,157	771,164	412,161
2025	545,000	375,360	223,334	6,372	768,334	381,732
2026	565,000	354,741	53,553	1,807	618,553	356,548
2027	590,000	333,228	27,844	483	617,844	333,711
2028-2032	3,290,000	1,319,975			3,290,000	1,319,975
2033-2037	3,740,000	865,652			3,740,000	865,652
2038-2042	4,255,000	349,390			4,255,000	349,390
Totals	<u>\$ 13,969,881</u>	<u>\$ 4,457,360</u>	<u>\$ 926,787</u>	<u>\$ 55,140</u>	<u>\$ 14,896,668</u>	<u>\$ 4,512,500</u>

The City has entered into lease agreements for vehicles and equipment in governmental activities with total combined monthly payments ranging from \$33,847 to \$4,613 per month over the next four fiscal years with interest rates ranging from 2.25% to 8.50%. Terms of existing agreements expire on various dates over through 2027.

The City has entered into a lease agreement for equipment in business-type activities with monthly payments \$27,847 per month with eight payments remaining at an interest rate of 2.99%.

There were no material variable payments that were not included in the measurement of the lease liability. There are no material residual value guarantees or termination penalties that were not previously included in the measurement of the lease liability.

6. Long-Term Obligations – continued

The annual debt service requirements to maturity for bonded debt and lease obligations for business-type activities, exclusive of bond premiums, are as follows at year-end:

Year Ending September 30,	<i>Business-type Activities</i>					
	Bonds Payable		Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 476,000	\$ 112,961	\$ 220,276	\$ 2,486	\$ 696,276	\$ 115,447
2024	498,000	94,271			498,000	94,271
2025	500,000	89,075			500,000	89,075
2026	506,000	83,785			506,000	83,785
2027	512,000	78,329			512,000	78,329
2028-2032	2,077,000	295,953			2,077,000	295,953
2033-2037	2,018,000	182,358			2,018,000	182,358
2037-2042	1,552,000	62,118			1,552,000	62,118
Totals	\$ 8,139,000	\$ 998,850	\$ 220,276	\$ 2,486	\$ 8,359,276	\$ 1,001,336

In addition to the bonds and leases above, the City also has the following long-term obligations:

	Balance Beginning	Increase	Decrease	Balance Ending	Due Within One Year
<i>Governmental Activities:</i>					
Compensated absences	\$ 310,625	\$ (42,327)	\$ -	\$ 268,298	\$ 268,298

It is anticipated that the liability for compensated absences described above will be paid from the General Fund when due.

Component Unit (CEDC):

CEDC did not have any long-term obligations during the year.

7. Defined Benefit Pension Plans

Plan Description

The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

7. **Defined Benefit Pension Plans – continued**

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 payments options. Members may also choose to receive their retirement benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100%, Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Reporting

Employees Covered by Benefit Terms

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	106
Active employees	<u>77</u>
	<u>251</u>

Contributions

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

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Commerce, Texas were 8.50% and 7.90% in calendar years 2021 and 2022, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2022, were \$374,122, and were equal to the required contributions.

7. **Defined Benefit Pension Plans – continued**

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.25% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The healthy post-retirement mortality assumption and the mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. All other 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

7. Defined Benefit Pension Plans – continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equities	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%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future 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 Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 12/31/2019	\$ 12,822,054	\$ 12,806,275	\$ 15,779
Changes for the year:			
Service cost	391,054		391,054
Interest	860,722		860,722
Change of benefit terms			
Difference between expected and actual experience	372,594		372,594
Changes of assumptions			-
Contributions - employer		325,088	(325,088)
Contributions – employee		169,141	(169,141)
Net investment income		1,667,388	(1,667,388)
Benefit payments, including refunds of employee contributions	(532,275)	(532,275)	
Administrative expense		(7,725)	7,725
Other changes		54	(54)
Net changes	\$ 1,092,095	\$ 1,621,671	\$ (529,576)
Balance at 12/31/2020	\$ 13,914,149	\$ 14,427,946	\$ (513,797)

7. Defined Benefit Pension Plans – continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1 % Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,562,742	\$ (513,797)	\$ (2,190,994)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the City recognized pension expense of \$10,262. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 222,602	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	854,649
Contributions subsequent to the measurement date	292,363	-
Total	<u>\$ 514,965</u>	<u>\$ 854,649</u>

\$292,363 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2023	\$ (18,550)
2024	(272,253)
2025	(180,651)
2026	(160,593)
2027	-
Thereafter	-
Total	<u>\$ (632,047)</u>

8. Postemployment Benefits Other Than Pensions (OPEB)

Plan description - The City maintains a single-employer defined benefit group-term life insurance plan known as the TMRS Supplemental Death Benefits Fund ("SDBF"). The plan is administered by the Texas Municipal Retirement System ("TMRS"). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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 in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*).

Benefits provided - 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 Other Post-Employment Benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

At the December 31, 2021 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>77</u>
Total	<u>144</u>

Contributions

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

The City's SDBF contribution rates for all covered employees of the City in calendar years 2022 and 2021 were .40% and .39% respectively. The City's contributions for all covered employees to the TMRS SDBF for the fiscal years ended September 30, 2022, and September 30, 2021, were \$15,498 and \$11,447, respectively, which equaled the required contributions for each year.

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

Total OPEB Liability

The City's total OPEB liability (TOL) of \$416,554 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs:

The total OPEB liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.5% per year
Salary Increase	3.5% to 11.5% per year, including inflation
Discount Rate	1.84%
Retirees Share of Benefit Costs	\$ -0-

Salary increases are assumed to occur once a year and are assumed to increase by a graduated service-based scale ranging from 11.5% for employees with one year of service to 3.5% for employees with 25 or more years of service.

Mortality rates for service retirees were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

For disabled retirees, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The 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 applicable discount rate for an unfunded OPEB plan under GASB No. 75 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/20	\$ 386,321
Changes for the year:	
Service cost	13,531
Interest on total OPEB liability	7,757
Change in benefit terms	-
Differences between expected & actual experience	6,888
Changes in assumptions and other inputs	12,544
Benefit payments*	(10,487)
Other charges	-
Net changes	\$ 30,233
Balance at 12/31/21	\$ 416,554

*Due to the Supplemental Death Benefit Fund being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

The SDBF does not incur TMRS Administrative Expenses. The City is charged and the administrative expenses are paid through the TMRS Defined Benefit Pension Plan recorded under GASB Statement No. 68.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00% (as compared to 2.75% in the prior year), as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1 % Decrease (0.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
City's total OPEB liability	\$ 508,772	\$ 416,554	\$ 346,817

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$42,441. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience (net of current year amortization)	\$ -	\$ 17,616
Changes in assumptions and other inputs	56,806	
Contributions made subsequent to measurement date	12,180	-
Total	<u>\$ 68,986</u>	<u>\$ 17,616</u>

\$12,180 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 year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:		
2023	\$	17,735
2024		9,683
2025		8,951
2026		2,821
2027		
Thereafter		
Total	<u>\$</u>	<u>39,190</u>

9. Commitments and Contingencies

The City is involved in litigation from time to time during the ordinary course of business. Management estimates that any potential litigation will not have a material impact on the City's financial statements.

In March 2020, Texas Governor Greg Abbott declared the state of Texas a disaster area as a result of the COVID-19 pandemic. Subsequently, the continued spread of this novel coronavirus across the United States and the world has created significant uncertainty about the breadth and duration of business disruptions associated with the pandemic. The extent of the impact of COVID-19 on the City's operations and financial performance will depend on the duration and spread of the virus. The effects of the pandemic on the City cannot be determined at this time.

9. Commitments and Contingencies - continued

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs by the granting organizations for the year ended September 30, 2022, have not been conducted. Accordingly, the City's final compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

The City has entered into various construction commitments for several projects. Total committed amounts are approximately \$9,500,000 and will be funded through the use of the 2022 bond proceeds and various grants.

The City has a proposed agreement with TCEQ to resolve certain deficiencies at the sewer treatment plant. Management expects that the proposal will cure any deficiencies identified by TCEQ.

10. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). At year-end, \$638 was due to the General Fund from the Water, Sewer & Sanitation fund.

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The government-wide statement of activities eliminates transfers reported within governmental activities. The following schedule reports transfers and payments within the reporting entity:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 23,000
Other Governmental Funds	23,000	
Total transfers	<u>\$ 23,000</u>	<u>\$ 23,000</u>

The transfers from the General Fund provided the other governmental funds with supplementary funding for the year.

11. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Commerce, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Commerce, Texas and the surrounding area.

12. Restricted Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments in business-type activities and the water, sewer and sanitation fund were restricted for capital projects as follows at year-end:

Cash and cash equivalents	\$ 2,748,048
Investments	<u>76,244</u>
Total	<u>\$ 2,824,292</u>

Cash and cash equivalents in governmental activities and the capital projects fund restricted for capital projects in the amount of \$6,892,394 represent bond proceeds awaiting expenditure for capital projects contemplated by the bond issue.

Cash and cash equivalents in governmental activities and other governmental funds accumulated from the hotel motel tax in the amount of \$69,727 are included in restricted cash at year-end.

Cash and cash equivalents and prepaid expenses in governmental activities and other governmental funds associated with employee benefits in the amount of \$129,967 are included in restricted net position at year-end.

Cash and cash equivalents less related payables in governmental activities and other governmental funds associated with judicial activities in the amount of \$59,276 are included in restricted net position at year-end.

Cash and cash equivalents in governmental activities and other governmental funds accumulated from seizures by authorities in the amount of \$18,140 are included in restricted cash at year-end.

13: Implementation of New Standards

Effective October 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The objective of this statement is to improve the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities that were previously classified as operating leases. It established a single model for lease accounting based on the fundamental principle that leases represent financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. The adoption of GASB 87 did not require any restatement of opening equity for the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Commerce, Texas
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 2,485,375	\$ 2,485,375	\$ 2,548,717	\$ 63,342
Franchise taxes	493,000	493,000	518,608	25,608
Sales tax	1,150,000	1,150,000	1,461,792	311,792
Beverage tax	16,000	16,000	15,667	(333)
Payments in lieu of taxes	193,294	193,294	193,294	-
Fines	100,000	100,000	90,143	(9,857)
Administration fees from proprietary funds	754,875	754,875	754,875	-
Permits and inspection fees	53,500	53,500	118,822	65,322
Intergovernmental	37,480	37,480	59,208	21,728
Component unit administration fees	104,190	104,190	117,412	13,222
Other income	185,530	185,530	199,420	13,890
Charges for services	23,600	23,600	97,658	74,058
Rents and leases	6,900	6,900	7,300	400
Interest	45,000	45,000	117,380	72,380
Federal and state grants	1,016,640	1,016,640	970,693	(45,947)
Total Revenues	6,665,384	6,665,384	7,270,989	605,605
Expenditures:				
Administration	1,791,923	1,791,923	1,785,715	6,208
Police department	2,123,733	2,123,733	2,075,431	48,302
Fire and emergency services	1,335,878	1,335,878	1,381,313	(45,435)
Public works	612,931	612,931	616,239	(3,308)
Parks and recreation	389,330	389,330	370,369	18,961
Community Development	242,096	242,096	251,239	(9,143)
Judicial	90,331	90,331	68,879	21,452
Library	65,425	65,425	80,372	(14,947)
Capital outlay	10,000	10,000	19,096	(9,096)
Debt Service:				
Principal			-	-
Interest and fiscal charges			-	-
Total Expenditures	6,661,647	6,661,647	6,648,653	12,994
Excess (Deficiency) of Revenues Over Expenditures	3,737	3,737	622,336	618,599
Other Financing Sources (Uses):				
Proceeds from sale of capital assets			-	-
Operating transfers in (out)			(23,000)	(23,000)
Net Other Financing Sources (Uses)	-	-	(23,000)	(23,000)
Net change in fund balances	3,737	3,737	599,336	595,599
Fund balance, October 1	2,395,292	2,395,292	2,395,292	-
Fund balance, September 30	\$ 2,399,029	\$ 2,399,029	\$ 2,994,628	\$ 595,599

City of Commerce, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

	Plan Year Ended December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 391,054	\$ 335,690	\$ 336,915	\$ 329,072	\$ 317,484	\$ 321,694	\$ 321,674	\$ 271,312
Interest on the Total Pension Liability	860,722	819,336	789,761	760,052	733,737	704,581	685,933	655,706
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	372,594	(39,678)	(128,639)	(114,660)	(179,982)	(131,344)	(21,602)	(132,138)
Change of assumptions	-	-	(18,054)	-	-	-	74,198	-
Benefit payments, including refunds of employee contributions	(532,275)	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)	(403,425)
Net Change in Total Pension Liability	1,092,095	587,829	425,048	452,898	418,443	425,970	687,130	391,455
Total Pension Liability - Beginning	12,822,054	12,234,225	11,809,177	11,356,279	10,937,836	10,511,866	9,824,736	9,433,281
Total Pension Liability - Ending	<u>\$ 13,914,149</u>	<u>\$ 12,822,054</u>	<u>\$ 12,234,225</u>	<u>\$ 11,809,177</u>	<u>\$ 11,356,279</u>	<u>\$ 10,937,836</u>	<u>\$ 10,511,866</u>	<u>\$ 9,824,736</u>
Plan Fiduciary Net Position								
Contributions - employer	\$ 325,088	\$ 285,440	\$ 279,428	\$ 256,451	\$ 242,205	\$ 229,774	\$ 256,531	\$ 251,625
Contributions - employee	169,141	146,079	143,003	140,749	136,376	137,125	144,249	135,720
Net investment income	1,667,388	910,163	1,624,770	(328,597)	1,345,429	621,688	13,526	497,151
Benefit payments, including refunds of employee contributions	(532,275)	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)	(403,425)
Administrative expense	(7,725)	(5,893)	(9,186)	(6,354)	(6,975)	(7,021)	(8,238)	(5,191)
Other	54	(230)	(276)	(332)	(354)	(378)	(408)	(427)
Net Change in Plan Fiduciary Net Position	1,621,671	808,040	1,482,804	(459,649)	1,263,885	512,227	32,587	475,453
Plan Fiduciary Net Position - Beginning	12,806,275	11,998,235	10,515,431	10,975,080	9,711,195	9,198,968	9,166,381	8,690,928
Plan Fiduciary Net Position - Ending	<u>\$ 14,427,946</u>	<u>\$ 12,806,275</u>	<u>\$ 11,998,235</u>	<u>\$ 10,515,431</u>	<u>\$ 10,975,080</u>	<u>\$ 9,711,195</u>	<u>\$ 9,198,968</u>	<u>\$ 9,166,381</u>
Net Pension Liability (Asset) - Ending	<u>\$ (513,797)</u>	<u>\$ 15,779</u>	<u>\$ 235,990</u>	<u>\$ 1,293,746</u>	<u>\$ 381,199</u>	<u>\$ 1,226,641</u>	<u>\$ 1,312,898</u>	<u>\$ 658,355</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.69%	99.88%	98.07%	89.04%	96.64%	88.79%	87.51%	93.30%
Covered Employee Payroll	\$ 3,382,819	\$ 2,921,586	\$ 2,860,057	\$ 2,814,988	\$ 2,727,528	\$ 2,742,493	\$ 2,884,971	\$ 2,714,399
Net Pension Liability as a Percentage of Covered Employee Payroll	-15.19%	0.54%	8.25%	45.96%	13.98%	44.73%	45.51%	24.25%

City of Commerce, Texas
Schedule of Pension Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	Fiscal Year Ended September 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 374,122	\$ 310,171	\$ 286,093	\$ 278,996	\$ 252,087	\$ 249,812	\$ 244,732	\$ 265,045
Contributions in relation to the actuarially determined contribution	374,122	310,171	286,093	278,996	252,087	249,812	244,732	265,045
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,895,791	\$ 3,216,177	\$ 2,928,277	\$ 2,856,341	\$ 2,813,919	\$ 2,774,965	\$ 2,791,822	\$ 2,868,782
Contributions as a percentage of covered employee payroll	9.60%	9.64%	9.77%	9.77%	8.96%	9.00%	8.77%	9.24%

Schedule Notes:

Valuation Dates:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

City of Commerce, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

Actuarial Valuation & Measurement Date, December 31,	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 13,531	\$ 8,765	\$ 7,150	\$ 8,163	\$ 6,819
Interest on the total OPEB liability	7,757	9,080	12,672	9,322	9,306
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	6,888	(5,936)	(80,778)	63,698	-
Changes in assumptions or other inputs	12,544	50,234	51,799	(17,909)	21,284
Benefit payments *	(10,487)	(3,214)	(2,860)	(2,815)	(2,455)
Net Change in Total OPEB Liability	30,233	58,929	(12,017)	60,459	34,954
Total OPEB Liability - Beginning	386,321	327,392	339,409	278,950	243,996
Total OPEB Liability - Ending	416,554	386,321	327,392	339,409	278,950
 Covered Payroll	 \$ 3,382,819	 \$ 2,921,586	 \$ 2,860,057	 \$ 2,814,988	 \$ 2,727,528
 Total OPEB Liability as a Percentage of Covered Payroll	 12.31%	 13.22%	 11.45%	 12.06%	 10.23%
 Required contribution	 \$ 15,498	 \$ 11,447	 \$ 6,735	 \$ 6,638	 \$ 2,455
Actual contribution	15,498	11,447	6,735	6,638	2,455
Difference	\$ -	\$ -	\$ -	\$ -	\$ -
Required contribution as a % of Covered Payroll	0.458%	0.392%	0.235%	0.236%	0.090%

Schedule Notes:

Plan information:

Single-employer unfunded OPEB plan

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

Actuarial Valuation & Measurement Date:

December 31

Significant actuarial assumptions used to measure the total OPEB liability:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	1.84% (Based on Fidelity Index's "20-year Municipal GO AA Index" rate as of 12/31/21)
Retirees' Share of Benefit-related Costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality - 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 setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* 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.

This schedule is presented to illustrate the requirements to show information for 10 years. Future years will be provided as the information becomes available.

**COMBINING NON-MAJOR GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

City of Commerce, Texas
Combining Balance Sheet
Other Governmental Funds
September 30, 2022

	Airport	Recreational Programs	Hotel/ Motel	Employee Benefits Trust	Municipal Court Security	Municipal Court Technology	Total
ASSETS							
Cash & cash equivalents	\$ 382	\$ 2,315	\$ -	\$ -	\$ -	\$ -	\$ 2,697
Cash & cash equivalents - restricted			69,727	73,459	26,507	37,811	207,504
Grant receivable	1,817						1,817
Other receivables	1,465						1,465
Prepaid expenses				53,508			53,508
Total Assets	\$ 3,664	\$ 2,315	\$ 69,727	\$ 126,967	\$ 26,507	\$ 37,811	\$ 266,991
LIABILITIES							
Accounts payable	458	2,305		-	2,730	2,312	7,805
Unearned grant revenues							-
Total Liabilities	458	2,305	-	-	2,730	2,312	7,805
FUND BALANCE							
Restricted for:							
Court security & technology					23,777	35,499	59,276
Employee benefits				126,967			126,967
Hotel/motel			69,727				69,727
Committed for:							
Animal Shelter							-
Capital improvements							-
Assigned for:							
Airport	3,206						3,206
Grant							-
Unassigned		10					10
Total Fund Balances	3,206	10	69,727	126,967	23,777	35,499	259,186
Total Liabilities and Fund Balances	\$ 3,664	\$ 2,315	\$ 69,727	\$ 126,967	\$ 26,507	\$ 37,811	\$ 266,991

City of Commerce, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Other Governmental Funds
Year Ended September 30, 2022

	Airport Fund	Recreational Programs	Hotel/ Motel	Employee Benefits Trust	Municipal Court Security	Municipal Court Technology	Total
Revenues:							
Hotel/motel tax	\$ -	\$ -	\$ 55,901	\$ -	\$ -	\$ -	\$ 55,901
Fines					1,408	1,879	3,287
Other income				661,518			661,518
Donations		-					-
Charges for services		9,113					9,113
Rents and leases	3,117						3,117
Interest	-	-		1,010			1,010
Federal, state and local grants	1,817						1,817
Capital grants							-
Total Revenues	4,934	9,113	55,901	662,528	1,408	1,879	735,763
Expenditures:							
Administration			13,152	670,591			683,743
Police department							-
Parks and Recreation		20,103					20,103
Airport	14,484						14,484
Judicial						1,960	1,960
Bond issue costs							-
Capital outlay							-
Total Expenditures	14,484	20,103	13,152	670,591	-	1,960	720,290
Excess (deficiency) of Revenues Over (Under) Expenditures	(9,550)	(10,990)	42,749	(8,063)	1,408	(81)	15,473
Other Financing Sources (Uses):							
Proceeds from long-term debt							-
Operating transfers in (out)	12,000	11,000					23,000
Net Other Financing Sources (Uses)	12,000	11,000	-	-	-	-	23,000
Net change in fund balances	2,450	10	42,749	(8,063)	1,408	(81)	38,473
Fund Balance, beginning	756	-	26,978	135,030	22,369	35,580	220,713
Fund Balance, ending	\$ 3,206	\$ 10	\$ 69,727	\$ 126,967	\$ 23,777	\$ 35,499	\$ 259,186

See auditor's report on supplementary information.

SUPPLEMENTARY SCHEDULES

City of Commerce, Texas
Historical Schedule of Taxable Property Valuation
September 30, 2022 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Taxable Valuation
2021	2022	\$ 421,704,461
2020	2021	390,319,380
2019	2020	353,162,026
2018	2019	325,244,485
2017	2018	299,954,586
2016	2017	295,380,730
2015	2016	287,724,309
2014	2015	297,691,911
2013	2014	281,572,406
2012	2013	278,996,321

City of Commerce, Texas
Schedule of Delinquent Taxes Receivable
September 30, 2022 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance
2021	2022	\$ 75,800
2020	2021	40,962
2019	2020	29,852
2018	2019	23,226
2017	2018	21,742
2016	2017	22,387
2015	2016	14,141
2014	2015	13,661
2013	2014	11,175
2012	2013	10,352
	2012 and prior	51,216
	Allowance for uncollectible tax	<u>(31,451)</u>
	Delinquent tax receivable, net	<u>\$ 283,063</u>

City of Commerce, Texas
Budgetary Comparison Schedule
Debt Service Fund
Year Ended September 30, 2022 (Unaudited)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 912,189	\$ 912,189	\$ 909,078	\$ (3,111)
Total Revenues	912,189	912,189	909,078	(3,111)
Expenditures:				
Debt Service:				
Principal	649,247	649,247	695,000	(45,753)
Interest and fiscal charges	262,609	262,609	187,348	75,261
Total Expenditures	911,856	911,856	882,348	29,508
Excess (Deficiency) of Revenues Over Expenditures	333	333	26,730	26,397
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-
Net change in fund balances	333	333	26,730	26,397
Fund balance, October 1	72,969	72,969	72,969	-
Fund balance, September 30	\$ 73,302	\$ 73,302	\$ 99,699	\$ 26,397