CITY OF CALDWELL, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2022

CITY OF CALDWELL, TEXAS

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the City Council
City of Caldwell, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Caldwell, 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 Caldwell, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Caldwell, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Caldwell, Texas' basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2025, on our consideration of the City of Caldwell, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Caldwell, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 27, 2025

MANAGEMENT'S
DISCUSSION AND ANALYSIS

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As management of the City of Caldwell, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2022 by $33,026,343 (net position). Of this amount, $19,688,868 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's net position increased by $817,253 from operations.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,453,560. Approximately 51% of this total amount ($3,800,415) is unassigned fund balance available for use within the City's fund designation and fiscal policies.

- As of September 30, 2022, unassigned fund balance for the General Fund was $3,800,415 or 86% percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, and Capital Projects Funds, which are considered to be major funds. A budgetary comparison schedule has been provided for the General Fund and Debt Service Fund to demonstrate compliance with the annual appropriated budget.

Proprietary Funds. The City maintains only one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Funds to account for water and sewer and electric.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $33,026,343 as of September 30, 2022.

CITY OF CALDWELL, TEXAS
NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current assets	$ 8,696,442	$ 9,819,017	$ 15,033,233	$ 11,824,993	$ 23,729,675	$ 21,644,010
Net pension assets	529,528	91,153	353,018	60,768	882,546	151,921
Capital assets	10,421,711	10,183,440	2,821,782	2,919,454	13,243,493	13,102,894
Total assets	19,647,681	20,093,610	18,208,033	14,805,215	37,855,714	34,898,825
Deferred outflows of resources	150,279	109,979	100,185	73,321	250,464	183,300
Current liabilities	1,141,711	822,896	1,993,949	679,441	3,135,660	1,502,337
Noncurrent liabilities	740,645	615,150	60,433	31,823	801,078	646,973
Total OPEB liability	172,626	162,839	115,085	108,560	287,711	271,399
Total liabilities	2,054,982	1,600,885	2,169,467	819,824	4,224,449	2,420,709
Deferred inflows of resources	513,232	271,396	342,154	180,930	855,386	452,326
Net position:						
Net investment in capital assets	9,821,711	9,733,440	2,821,782	2,919,454	12,643,493	12,652,894
Restricted	678,480	323,838	15,502	-	693,982	323,838
Unrestricted	6,729,555	8,274,030	12,959,313	10,958,328	19,688,868	19,232,358
Total net position	$ 17,229,746	$ 18,331,308	$ 15,796,597	$ 13,877,782	$ 33,026,343	$ 32,209,090

A large portion of the City's net position reflects its investments in capital assets less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position, $19,688,868, may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF CALDWELL, TEXAS
CHANGES IN NET POSITION

The City's net position increased by 817,253 from operations during the current fiscal year. This increase is the result of the City's revenues exceeding its expenses for the fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 562,108	$ 238,562	$ 8,779,665	$ 7,585,176	$ 9,341,773	$ 7,823,738
Operating grants and contributions	105,190	228,801	449,383	61,729	554,573	290,530
General revenues:						
Property taxes	1,142,156	1,054,389	-	-	1,142,156	1,054,389
Sales taxes	2,048,956	1,698,397	-	-	2,048,956	1,698,397
Other taxes	121,403	46,412	-	-	121,403	46,412
Investment earnings	39,338	7,550	35,978	27,210	75,316	34,760
Gain on sale of capital assets	-	11,316	-	-	-	11,316
Miscellaneous	181,872	606,866	38,967	9,226	220,839	616,092
Total revenues	4,201,023	3,892,293	9,303,993	7,683,341	13,505,016	11,575,634
Expenses:						
General government	1,510,532	684,146	-	-	1,510,532	684,146
Public safety	1,259,708	1,296,362	-	-	1,259,708	1,296,362
Public works	160,699	146,559	-	-	160,699	146,559
Transportation	1,143,236	1,074,609	-	-	1,143,236	1,074,609
Culture and recreation	750,579	594,773	-	-	750,579	594,773
Interest on long-term debt	7,831	3,399	-	-	7,831	3,399
Utilities	-	-	7,855,178	6,212,416	7,855,178	6,212,416
Total expenses	4,832,585	3,799,848	7,855,178	6,212,416	12,687,763	10,012,264
Increases in net position before transfers	(631,562)	92,445	1,448,815	1,470,925	817,253	1,563,370
Transfers	(470,000)	1,205,000	470,000	(1,205,000)	-	-
Change in net position	(1,101,562)	1,297,445	1,918,815	265,925	817,253	1,563,370
Net position, beginning	18,331,308	17,033,863	13,877,782	13,611,857	32,209,090	30,645,720
Net position, ending	$ 17,229,746	$ 18,331,308	$ 15,796,597	$ 13,877,782	$ 33,026,343	$ 32,209,090

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,453,560. Approximately 51% of this total amount, ($3,800,415) constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $3,800,415. The fund balance of the City's General Fund decreased by $2,476,458 during the current fiscal year.

The Debt Service Fund has a total fund balance of $449,076. The City expended $151,450 on debt service during the year.

The Capital Projects Fund has a total fund balance of $1,425,347. The fund balance of the City's Capital Projects Fund increased by $930,293 during the current fiscal year. This was mainly due to transfers from the City's Electric Fund.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the City's Enterprise Funds at the end of the year amounted to $12,959,313. The increase in net position from operations was $1,918,815

General Fund Budgetary Highlights

Actual revenues of the General Fund were less than final amended budget by $56,555. The City had sales tax revenues which were higher than expectations.

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to $13,243,493 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The City's investment in capital assets for the current fiscal year decreased approximately $254,040.

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 22 – 23.

DEBT ADMINISTRATION

During the fiscal year, the City made payments totaling $450,000 for time warrants and issued $600,000. The ending balance of time warrants at the end of the current fiscal year was $600,000.

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 24.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator at 107 S. Hill, Caldwell, Texas 77836.

BASIC
FINANCIAL STATEMENTS

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CITY OF CALDWELL, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 8,525,370	$ 12,974,633	$ 21,500,003
Receivables (net of allowances for uncollectibles):			
Taxes	456,925	-	456,925
Accounts	30,128	1,240,819	1,270,947
Prepaids	1,552	-	1,552
Inventory	-	500,248	500,248
Internal balances	(317,533)	317,533	-
Net pension asset	529,528	353,018	882,546
Capital assets:			
Land	844,149	164,894	1,009,043
Construction in progress	4,244,303	-	4,244,303
Buildings and improvements	6,802,908	1,104,950	7,907,858
Furniture, fixtures and equipment	2,990,472	2,750,484	5,740,956
Infrastructure	5,920,780	4,137,302	10,058,082
Accumulated depreciation	(10,380,901)	(5,335,848)	(15,716,749)
Total capital assets	10,421,711	2,821,782	13,243,493
Total assets	19,647,681	18,208,033	37,855,714
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	123,410	82,273	205,683
Related to OPEB	26,869	17,912	44,781
Total deferred outflows of resources	150,279	100,185	250,464
LIABILITIES			
Accounts payable	19,000	1,676,716	1,695,716
Accrued liabilities	104,732	12,027	116,759
Accrued interest payable	5,625	-	5,625
Customer deposits	-	305,206	305,206
Unearned revenue	1,012,354	-	1,012,354
Noncurrent liabilities:			
Due within one year	617,070	29,518	646,588
Due in more than one year	123,575	30,915	154,490
Total OPEB liability	172,626	115,085	287,711
Total liabilities	2,054,982	2,169,467	4,224,449
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	506,274	337,516	843,790
Related to OPEB	6,958	4,638	11,596
Total deferred inflows of resources	513,232	342,154	855,386
NET POSITION			
Net investment in capital assets	9,821,711	2,821,782	12,643,493
Restricted for:			
Debt service	484,663	-	484,663
Net pension asset	193,817	15,502	209,319
Unrestricted	6,729,555	12,959,313	19,688,868
Total net position	$ 17,229,746	$ 15,796,597	$ 33,026,343

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

CITY OF CALDWELL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	$ 1,510,532	$ 410,851	$ 105,190
Public safety	1,259,708	56,112	-
Public works	160,699	60,000	-
Transportation	1,143,236	2,070	-
Culture and recreation	750,579	33,075	-
Interest on long-term debt	7,831	-	-
Total governmental activities	4,832,585	562,108	105,190
Business-type activities:			
Utilities	7,855,178	8,779,665	449,383
Total business-type activities	7,855,178	8,779,665	449,383
Total	$ 12,687,763	$ 9,341,773	$ 554,573

General revenues:
- Taxes:
  - Property taxes
  - Sales taxes
  - Other taxes
- Investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (994,491)	$ -	$ (994,491)
(1,203,596)	-	(1,203,596)
(100,699)	-	(100,699)
(1,141,166)	-	(1,141,166)
(717,504)	-	(717,504)
(7,831)	-	(7,831)
(4,165,287)	-	(4,165,287)
-	1,373,870	1,373,870
-	1,373,870	1,373,870
$ (4,165,287)	$ 1,373,870	$ (2,791,417)
1,142,156	-	1,142,156
2,048,956	-	2,048,956
121,403	-	121,403
39,338	35,978	75,316
181,872	38,967	220,839
(470,000)	470,000	-
3,063,725	544,945	3,608,670
(1,101,562)	1,918,815	817,253
18,331,308	13,877,782	32,209,090
$ 17,229,746	$ 15,796,597	$ 33,026,343

CITY OF CALDWELL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	$ 6,629,813	$ 470,210	$ 1,425,347	$ 8,525,370
Receivables (net of allowance for uncollectibles):				
Taxes	412,735	44,190	-	456,925
Other	30,128	-	-	30,128
Prepaids	1,552	-	-	1,552
Due from other funds	24,112	-	-	24,112
Total assets	7,098,340	514,400	1,425,347	9,038,087
LIABILITIES				
Liabilities:				
Accounts payable	19,000	-	-	19,000
Accrued liabilities	104,732	-	-	104,732
Due to other funds	317,533	24,112	-	341,645
Unearned revenue	1,012,354	-	-	1,012,354
Total liabilities	1,453,619	24,112	-	1,477,731
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - court fines and fees	30,128	-	-	30,128
Unavailable revenue - property taxes	35,456	41,212	-	76,668
Total deferred inflows of resources	65,584	41,212	-	106,796
FUND BALANCES				
Nonspendable:				
Prepaid items	1,552	-	-	1,552
Restricted for:				
Debt service	-	449,076	-	449,076
Assigned for:				
Municipal airport improvements	39,553	-	-	39,553
Fire reserve	1,071,244	-	-	1,071,244
Airport	169,604	-	-	169,604
Hotel occupancy	496,769	-	-	496,769
Capital improvements	-	-	1,425,347	1,425,347
Unassigned	3,800,415	-	-	3,800,415
Total fund balances	5,579,137	449,076	1,425,347	7,453,560
Total liabilities, deferred inflows of resources, and fund balances	$ 7,098,340	$ 514,400	$ 1,425,347	

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,421,711
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	106,796
Certain items related to pensions and OPEB are reported as deferred outflows and deferred inflows of resources.	(6,051)
Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(5,625)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(740,645)
Net position of governmental activities	$ 17,229,746

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

CITY OF CALDWELL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 535,030	$ 611,198	$ -	$ 1,146,228
Sales	2,048,956	-	-	2,048,956
Other	179,767	-	-	179,767
Charges for services	28,176	-	137,000	165,176
Fines and fees	328,943	-	-	328,943
Grants and contributions	105,190	-	-	105,190
Licenses and permits	66,208	-	-	66,208
Investment earnings	21,958	12,063	5,317	39,338
Miscellaneous	181,872	-	-	181,872
Total revenues	3,496,100	623,261	142,317	4,261,678
EXPENDITURES				
Current:				
General government	1,525,022	-	-	1,525,022
Public safety	1,252,757	-	-	1,252,757
Public works	166,594	-	-	166,594
Transportation	889,453	-	-	889,453
Culture and recreation	563,715	-	-	563,715
Capital outlay	-	-	917,041	917,041
Debt service:				
Principal	-	450,000	-	450,000
Interest and fiscal charges	-	4,831	-	4,831
Total expenditures	4,397,541	454,831	917,041	5,769,413
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(901,441)	168,430	(774,724)	(1,507,735)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,105,017	1,105,017
Transfers out	(1,575,017)	-	-	(1,575,017)
Issuance of long-term debt	-	-	600,000	600,000
Total other financing sources (uses)	(1,575,017)	-	1,705,017	130,000
NET CHANGE IN FUND BALANCES	(2,476,458)	168,430	930,293	(1,377,735)
FUND BALANCES, BEGINNING	8,055,595	280,646	495,054	8,831,295
FUND BALANCES, ENDING	$ 5,579,137	$ 449,076	$ 1,425,347	$ 7,453,560

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

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CITY OF CALDWELL, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ (1,377,735)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded outlays in the current period.	238,271
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(60,655)
Current year changes in certain long-term liabilities and deferred outflows of resources related to pensions and OPEB do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	98,557
Change in net position of governmental activities	$ (1,101,562)

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

CITY OF CALDWELL, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2022

	Utilities
ASSETS	
Current assets:	
Cash and investments	$ 12,974,633
Accounts receivable - net of allowances for uncollectibles	1,240,819
Inventory	500,248
Due from other funds	317,533
Total current assets	15,033,233
Noncurrent assets:	
Net pension asset	353,018
Capital assets:	
Land	164,894
Buildings and improvements	1,104,950
Equipment	2,750,484
Infrastructure	4,137,302
Less: accumulated depreciation	(5,335,848)
Total capital assets	2,821,782
Total noncurrent assets	3,174,800
Total assets	18,208,033
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	82,273
Deferred outflows related to OPEB	17,912
Total deferred outflows of resources	100,185
LIABILITIES	
Current liabilities:	
Accounts payable	1,676,716
Accrued liabilities	12,027
Customer deposits	305,206
Compensated absences payable	29,518
Total current liabilities	2,023,467
Long-term liabilities:	
Compensated absences payable	30,915
Total OPEB liability	115,085
Total long-term liabilities	146,000
Total liabilities	2,169,467
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	337,516
Deferred inflows related to OPEB	4,638
Total deferred inflows of resources	342,154
NET POSITION	
Net investment in capital assets	2,821,782
Restriced net pension asset	15,502
Unrestricted	12,959,313
Total net position	$ 15,796,597

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

CITY OF CALDWELL, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Utilities
OPERATING REVENUES	
Charges for services	$ 8,779,665
Total operating revenues	8,779,665
OPERATING EXPENSES	
Cost of sales and services	5,960,508
Administration	1,160,856
Professional fees and services	359,114
Depreciation	374,700
Total operating expenses	7,855,178
OPERATING INCOME	924,487
NONOPERATING REVENUES (EXPENSES)	
Grants and contributions	449,383
Investment earnings	35,978
Miscellaneous income	38,967
Total nonoperating revenues (expenses)	524,328
INCOME BEFORE TRANSFERS	1,448,815
Transfers in	470,000
Total transfers	470,000
CHANGE IN NET POSITION	1,918,815
TOTAL NET POSITION, BEGINNING	13,877,782
TOTAL NET POSITION, ENDING	$ 15,796,597

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

CITY OF CALDWELL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 8,296,272
Cash payments to employees for services	(1,296,811)
Cash payments to suppliers and employees	(5,148,777)
Cash provided (used) by operating activities	1,850,684
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants	449,383
Cash received (paid) for miscellaneous items	38,967
Cash paid to other funds	(216,645)
Cash received from other funds	68,165
Transfers from other funds	470,000
Cash provided (used) for noncapital financing activities	809,870
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(277,028)
Cash used for capital and related financing activities	(277,028)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	35,978
Cash provided by investing activities	35,978
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,419,504
CASH AND CASH EQUIVALENTS, BEGINNING	10,555,129
CASH AND CASH EQUIVALENTS, ENDING	12,974,633
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	924,487
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	374,700
Change in assets and liabilities:	
Decrease (increase) in customer receivable	(483,312)
Decrease (increase) in other assets	(156,944)
Decrease (increase) deferred outflow-OPEB	2,825
Decrease (increase) deferred outflow-pensions	(29,689)
Increase (decrease) in deferred inflow-pensions	163,039
Increase (decrease) in deferred inflow-OPEB	(1,815)
Increase (decrease) in accounts payable	1,327,789
Increase (decrease) in accrued liabilities	(13,200)
Increase (decrease) in customer deposits	(81)
Increase (decrease) in compensated absences	28,610
Increase (decrease) in total OPEB liability	3,915
Increase (decrease) in net pension liability	(289,640)
Total adjustments	926,197
Net cash provided (used) by operating activities	$ 1,850,684

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Caldwell, Texas (the "City"), a General Law municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, operates under a council-manager form of government and, as authorized, provides the following services: public safety (police and fire), highways and streets, sanitation, water, sewer, and electrical services, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The financial statements of the City have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below:

B. Government-wide and Fund Financial Statements

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Debt Service Fund*** is used to account for the accumulation of restricted resources for the payment of general long-term debt principal and interest.

The ***Capital Projects Fund*** is used to account for financial resources assigned to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary funds:

The ***Utilities Fund*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function or electric function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and debt service funds. The capital projects fund is appropriated on a project-length basis.

The appropriated budget is prepared by fund and function. The City Administrator may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2022 expenditures exceeded appropriations in the general fund by $469,896. This overage will be funded by existing fund balance.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

Cash includes not only currency on hand, but also demand deposits with banks or other financial institutions. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less meet this definition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due on or before September 30 of the following year. All unpaid taxes become delinquent February 1 of the following year. City property tax revenue is recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessment ratio of the City is 100 percent of market value.

Since 1980, the appraisal of property within the City has been the responsibility of the countywide appraisal district. The appraisal district is required under the property tax code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

Inventories and Prepaid Items

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method in the Water Sewer Fund and last-in/first-out (LIFO) method in the Utility Fund. The costs of inventories are recorded as expenditures when used (consumption method).

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

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), and water rights are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	20
Vehicles	7
Improvements	10 - 20
Equipment	5 - 7
Infrastructure	20

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, related deferred outflows and inflows of resources, and total OPEB expense, information about the plan is provided through a report prepared for the City provided by the City's actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Pension and OPEB (Other Post-Employment Benefits) contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in expected and actual economic experience for the City's pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable revenue – The governmental funds report unavailable revenue from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Difference in expected and actual economic experience for the City's pension and OPEB liability – These effects on the total pension and total OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active or inactive employees).

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the OPEB liability – these effects on the total OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active or inactive employees).

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned, but unused, vacation, comp time and sick leave. Upon separation from City employment, a regular employee who has completed at least one year of continuous employment will be paid for accrued and unused vacation leave and comp time up to the limit of his or her maximum allowable accumulation. No more than 192 hours for employees with less than 15 years' employment with the City, and 240 hours for employees with more than 15 years can be carried over to the next year. Comp time is limited to 240 hours. On the employee's anniversary date, any vacation leave balance in excess of the appropriate maximum is reduced to the maximum without compensation. Accumulated unpaid vacation and comp time amounts are accrued as a current liability in the period they are earned in proprietary funds (using the accrual basis of accounting) and the government-wide financial statements. In governmental funds, the cost of vacation and comp pay is recognized when payments are due. In the event of termination or retirement, sick pay is not paid. Therefore, no accrued liabilities for sick pay are recorded.

Long-term Obligations

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

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

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

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2022, the entire deposit balance of the City was fully collateralized with securities held by the pledging financial institution in the City's name or covered by FDIC insurance.

B. Receivables

Receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Utilities	Total
Receivables:				
Taxes	$ 419,449	$ 51,887	$ -	$ 471,336
Accounts	-	-	1,584,019	1,584,019
Municipal court	449,551	-	-	449,551
Gross receivables	869,000	51,887	1,584,019	2,504,906
Less: allowance for uncollectibles	(426,137)	(7,697)	(343,200)	(777,034)
Net total receivables	$ 442,863	$ 44,190	$ 1,240,819	$ 1,727,872

C. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 844,149	$ -	$ -	$ 844,149
Construction in progress	4,089,665	154,638	-	4,244,303
Total capital assets not being depreciated	4,933,814	154,638	-	5,088,452
Capital assets, being depreciated:				
Buildings and improvements	6,802,908	-	-	6,802,908
Equipment	2,946,615	43,857	-	2,990,472
Infrastructure	5,204,068	716,712	-	5,920,780
Total capital assets being depreciated	14,953,591	760,569	-	15,714,160
Less accumulated depreciation:				
Buildings and improvements	(4,881,283)	(285,353)	-	(5,166,636)
Equipment	(2,290,558)	(131,380)	-	(2,421,938)
Infrastructure	(2,532,124)	(260,203)	-	(2,792,327)
Total accumulated depreciation	(9,703,965)	(676,936)	-	(10,380,901)
Total capital assets, being depreciated, net	5,249,626	83,633	-	5,333,259
Governmental activities capital assets, net	$ 10,183,440	$ 238,271	$ -	$ 10,421,711

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 164,894	$ -	$ -	$ 164,894
Total capital assets not being depreciated	164,894	-	-	164,894
Capital assets, being depreciated:				
Buildings and improvements	1,104,950	-	-	1,104,950
Equipment	2,561,872	188,612	-	2,750,484
Infrastructure	4,048,886	88,416	-	4,137,302
Total capital assets being depreciated	7,715,708	277,028	-	7,992,736
Less accumulated depreciation:				
Buildings and improvements	(1,069,876)	(17,566)	-	(1,087,442)
Equipment	(2,052,250)	(154,689)	-	(2,206,939)
Infrastructure	(1,839,022)	(202,445)	-	(2,041,467)
Total accumulated depreciation	(4,961,148)	(374,700)	-	(5,335,848)
Total capital assets, being depreciated, net	2,754,560	(97,672)	-	2,656,888
Business-type activities capital assets, net	$ 2,919,454	$ (97,672)	$ -	$ 2,821,782

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

Governmental activities:	
General government	$ 22,953
Public safety	108,704
Public works	5,163
Transportation	326,927
Culture and recreation	213,189
Total depreciation expense - governmental activities	$ 676,936
Business-type activities:	
Utilities	$ 374,700
Total depreciation expense - business-type activities	$ 374,700

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Debt service	$ 24,112
Utilities	Electric	317,533
		$ 341,645

All balances of the due to/due from resulted from short-term loans that are to be reimbursed within the next year.

Interfund transfers:

	Transfers In		
	Capital Projects	Utilities	Total
Transfers Out:			
General	$ 1,105,017	$ 470,000	$ 1,575,017
Total Transfers	$ 1,105,017	$ 470,000	$ 1,575,017

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-term Liabilities

Time Warrants

As of year-end, the total time warrants outstanding is $600,000 which matures in August 2023 with an interest rate of 2.50%.

Changes in Long-term Liabilities

The following is a summary of long-term liability activity for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
Time warrants from direct borrowing	$ 450,000	$ 600,000	$ 450,000	$ 600,000	$ 600,000
Compensated absences	165,150	56,481	80,986	140,645	17,070
Governmental activity Long-term liabilities	$ 615,150	$ 656,481	$ 530,986	$ 740,645	$ 617,070
Business-type activities					
Compensated absences	$ 31,823	$ 44,081	$ 15,471	$ 60,433	$ 29,518
Business-type activity Long-term liabilities	$ 31,823	$ 44,081	$ 15,471	$ 60,433	$ 29,518

For governmental activities, compensated absences are generally liquidated by the General Fund.

The City's outstanding time warrants from direct borrowings related to governmental activities of $600,000 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

F. Other Information

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

G. Contingent Liabilities

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

H. Defined Benefit Pension Plan

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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at *www.tmrs.com*.
All eligible employees of the City are required to participate in TMRS.

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

At retirement, the 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 a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	5%
Matching ratio (City to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility	20 years to any age, 10 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	50% of CPI Repeating

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	34
Inactive employees entitled to but not yet receiving benefits	32
Active employees	63
	129

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.22% and 6.94% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were $194,719, and were equal to the required contributions.

Net Pension Liability (Asset). The city's Net Pension Asset (NPA) 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	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members were 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 retirees and beneficiaries 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. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is 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 post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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 return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2020	$ 12,035,009	$ 12,186,930	$ (151,921)
Changes for the year:			
Service cost	267,339	-	267,339
Interest	800,448	-	800,448
Difference between expected and actual experience	85,308	-	85,308
Contributions - employer	-	179,218	(179,218)
Contributions - employee	-	124,113	(124,113)
Net investment income	-	1,587,691	(1,587,691)
Benefit payments, including refunds of employee contributions	(620,368)	(620,368)	-
Administrative expense	-	(7,351)	7,351
Other changes	-	49	(49)
Net changes	532,727	1,263,352	(730,625)
Balance at 12/31/2021	$ 12,567,736	$ 13,450,282	$ (882,546)

In prior years, the net pension liability for governmental activities has been primarily liquidated by the general fund.

The following presents the net pension liability (asset) 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-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	$ 589,867	$ (882,546)	$ (2,115,996)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position by the City. The report may be obtained at *www.tmrs.com*.

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the City recognized pension income of $202,460. 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	$ 60,437	$ 24,836
Changes in actuarial assumptions	788	-
Difference between projected and actual investment earnings	-	818,954
Contributions subsequent to the measurement date	144,458	-
Total	$ 205,683	$ 843,790

$144,458 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2023	$ (139,606)
2024	(328,387)
2025	(161,558)
2026	(153,014)

I. Other Post-Employment Benefits

Plan Description. Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDB"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDB 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).

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.

The member city contributes to the SDB 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 the employee' entire career.

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	27
Inactive employees entitled to but not yet receiving benefits	4
Active employees	63
Total	94

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.45% and 0.45% in calendar years 2021 and 2022, respectively, of which 0.27% and 0.26%, respectively, represented the retiree-only portion for each year, as a percentage of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the year ended September 30, 2022, were $7,294, representing contributions for both active and retiree coverage, and were equal to the required contributions.

Total OPEB Liability. The city's Total OPEB Liability (TOL) of $287,711 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 rate	2.50% per annum
Salary increases	3.50% to 11.50%, including inflation
Discount rate	1.84%
Actuarial cost method	Entry Age Normal
Reitrees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 4 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 1.84% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Current Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's total OPEB liability	$ 344,416	$ 287,711	$ 243,252

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	$ 271,399
Changes for the year:	
Service cost	11,667
Interest	5,478
Difference between expected and actual experience	(1,924)
Changes in assumptions or other inputs	7,793
Benefit payments	(6,702)
Net changes	16,312
Balance at 12/31/2021	$ 287,711

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

Changes in assumptions and other inputs reflect a change in the discount rate and the change in the actuarial assumptions adopted in 2020 based on the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018.

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

For the year ended September 30, 2022, the City recognized OPEB expense of $26,129. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 8,523
Changes in actuarial assumptions	39,369	3,073
Contributions subsequent to the measurement date	5,412	-
Total	$ 44,781	$ 11,596

$5,412 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	
2023	$ 8,985
2024	11,931
2025	5,993
2026	864

J. Subsequent Event

The City issued Time Warrant Number 135 dated May 18, 2023, in the amount of $600,000 at the rate of 4.55% per annum for capital improvement projects and equipment. The series matures August 2024.

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REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF CALDWELL, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	$ 572,000	$ 572,000	$ 535,030	$ (36,970)
Sales	1,725,000	1,725,000	2,048,956	323,956
Other	124,200	124,200	179,767	55,567
Charges for services	17,500	17,500	28,176	10,676
Fines and fees	390,575	390,575	328,943	(61,632)
Grants & contributions	559,600	559,600	105,190	(454,410)
Licenses and permits	50,000	50,000	66,208	16,208
Investment earnings	49,900	49,900	21,958	(27,942)
Miscellaneous	63,880	63,880	181,872	117,992
Total revenues	3,552,655	3,552,655	3,496,100	(56,555)
EXPENDITURES				
Current:				
General government	1,799,700	1,799,700	1,525,022	274,678
Public safety	925,075	925,075	1,252,757	(327,682)
Public works	112,860	112,860	166,594	(53,734)
Transportation	620,960	620,960	889,453	(268,493)
Culture and recreation	469,050	469,050	563,715	(94,665)
Total expenditures	3,927,645	3,927,645	4,397,541	(469,896)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(374,990)	(374,990)	(901,441)	(526,451)
OTHER FINANCING SOURCES (USES)				
Transfers out	948,000	948,000	(1,575,017)	(2,523,017)
Total other financing sources (uses)	948,000	948,000	(1,575,017)	(2,523,017)
NET CHANGE IN FUND BALANCES	573,010	573,010	(2,476,458)	(3,049,468)
FUND BALANCE, BEGINNING	8,055,595	8,055,595	8,055,595	-
FUND BALANCE, ENDING	$ 8,628,605	$ 8,628,605	$ 5,579,137	$ (3,049,468)

CITY OF CALDWELL, TEXAS

DEBT SERVICE FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	$ 600,000	$ 600,000	$ 611,198	$ 11,198
Investment earnings	800	800	12,063	11,263
Total revenues	600,800	600,800	623,261	22,461
EXPENDITURES				
Debt service:				
Principal	600,000	600,000	450,000	150,000
Interest and fiscal charges	9,500	9,500	4,831	4,669
Total expenditures	609,500	609,500	454,831	154,669
NET CHANGE IN FUND BALANCES	(8,700)	(8,700)	168,430	177,130
FUND BALANCE, BEGINNING	280,646	280,646	280,646	-
FUND BALANCE, ENDING	$ 271,946	$ 271,946	$ 449,076	$ 177,130

CITY OF CALDWELL, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	**2015**	**2016**	**2017**
A. Total pension liability			
Service Cost	$ 213,919	$ 216,064	$ 238,274
Interest (on the Total Pension Liability)	644,416	662,716	691,070
Difference between expected and actual experience	(61,217)	8,058	115,525
Change of assumptions	159,139	-	-
Benefit payments, including refunds of employee contributions	(320,972)	(369,548)	(586,227)
Net change in total pension liability	635,285	517,290	458,642
Total pension liability - beginning	9,259,471	9,894,756	10,412,046
Total pension liability - ending (a)	$ 9,894,756	$ 10,412,046	$ 10,870,688
B. Plan fiduciary net position			
Contributions - employer	$ 188,335	$ 174,482	$ 200,025
Contributions - employee	100,715	99,477	109,905
Net investment income	13,421	612,799	1,327,413
Benefit payments, including refunds of employee contributions	(320,972)	(369,548)	(586,227)
Administrative expenses	(8,175)	(6,922)	(6,880)
Other	(404)	(373)	(348)
Net change in plan fiduciary net position	(27,080)	509,915	1,043,888
Plan fiduciary net position - beginning	9,095,910	9,068,830	9,578,745
Plan fiduciary net position - ending (b)	$ 9,068,830	$ 9,578,745	$ 10,622,633
C. Net pension liability (asset) - ending (a) - (b)	$ 825,926	$ 833,301	$ 248,055
D. Plan fiduciary net position as a percentage of total pension liability	91.65%	92.00%	97.72%
E. Covered payroll	$ 2,014,301	$ 1,989,540	$ 2,198,101
F. Net position liability as a percentage of covered payroll	41.00%	41.88%	11.28%

Note: this schedule is required to have 10 years of information, but the information prior to 2015 is not available

2018	2019	2020	2021
$ 247,192	$ 237,614	$ 245,957	$ 267,339
728,892	745,055	771,014	800,448
(230,810)	(57,901)	(37,764)	85,308
-	4,426	-	-
(391,759)	(610,302)	(487,293)	(620,368)
353,515	318,892	491,914	532,727
10,870,688	11,224,203	11,543,095	12,035,009
$ 11,224,203	$ 11,543,095	$ 12,035,009	$ 12,567,736
$ 210,933	$ 204,294	$ 186,011	$ 179,218
114,018	109,601	114,398	124,113
(318,073)	1,581,119	872,897	1,587,691
(391,759)	(610,302)	(487,293)	(620,368)
(6,150)	(8,938)	(5,652)	(7,351)
(320)	(268)	(219)	49
(391,351)	1,275,506	680,142	1,263,352
10,622,633	10,231,282	11,506,788	12,186,930
$ 10,231,282	$ 11,506,788	$ 12,186,930	$ 13,450,282
$ 992,921	$ 36,307	$ (151,921)	$ (882,546)
91.15%	99.69%	101.26%	107.02%
$ 2,280,367	$ 2,192,016	$ 2,287,968	$ 2,482,256
43.54%	1.66%	-6.64%	-35.55%

CITY OF CALDWELL, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year Ended SEPTEMBER 30,	**2015**	**2016**	**2017**
Actuarial determined contribution	$ 193,294	$ 188,032	$ 183,367
Contributions in relation to the actuarially determined contribution	(193,294)	(188,032)	(183,367)
Contribution deficiency (excess)	-	-	-
Covered payroll	1,892,750	1,949,090	2,000,848
Contributions as a percentage of covered payroll	10.21%	9.65%	9.16%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date 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	24 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 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 There were no benefit changes during the year.

This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

* During the fiscal year 2020, the City changed its fiscal year to September 30. This represents eight months of data.

2018	2019	2020	2020*	2021	2022
$ 201,420	$ 210,969	$ 201,581	$ 119,627	$ 132,298	$ 151,438
(208,936)	210,969	201,581	119,627	132,298	151,438
-	-	-	-	-	-
2,210,514	2,279,419	2,184,209	1,471,429	2,434,630	2,776,671
9.11%	9.26%	9.23%	8.13%	5.43%	5.45%

CITY OF CALDWELL, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	**2018**	**2019**	**2020**	**2021**
A. Total OPEB liability				
Service Cost	$ 6,613	$ 5,699	$ 8,237	$ 11,667
Interest (on the total OPEB liability)	6,689	7,102	6,457	5,478
Difference between expected and actual experience	(8,932)	(3,901)	(5,621)	(1,924)
Changes of assumptions	(12,677)	35,116	32,548	7,793
Benefit payments	(1,824)	(1,973)	(1,830)	(6,702)
Net change in total OPEB liability	(10,131)	42,043	39,791	16,312
Total OPEB liability - beginning	199,696	189,565	231,608	271,399
Total OPEB liability - ending	$ 189,565	$ 231,608	$ 271,399	$ 287,711
B. Covered employee payroll	$ 2,280,367	$ 2,192,016	$ 2,287,968	$ 2,482,256
C. Total OPEB liability as a percentage of covered employee payroll	8.31%	10.57%	11.86%	11.59%

Note: GASB 75 requires 10 years of data to be included in this schedule. Additional years will be presented as they become available.

Note: No assets are accumulated in a trust to pay related benefits.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
Members of the City Council
City of Caldwell, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Caldwell, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001, 2020-002, 2020-003, 2015-003, 2012-001, 2009-001, 2009-003, 2009-004, and 2009-005 that we consider to be material weaknesses.

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA GAQC Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying schedule of findings and responses as items 2020-001, 2020-002, 2020-003, 2015-003, 2012-001, 2009-001, 2009-003, 2009-004, and 2009-005 that we consider to be material weaknesses.

City of Caldwell's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 27, 2025

CITY OF CALDWELL, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

2020-001 CASH ACCOUNT RECONCILIATIONS - RECURRING

During our audit of cash, we determined that the City does not perform a supervisory review of monthly bank reconciliations for the City's cash accounts. We noted that the employees responsible for bank reconciliations also receipt monies and post transactions without any review or oversight by other employees or elected officials. We recommend that the City put procedures in place to review all monthly bank reconciliations for accuracy.

2020-002 JOURNAL ENTRIES - RECURRING

During our audit of journal entries, we determined that the City does not perform a supervisory review of manual journal entries posted to the general ledger. Further, the City lacks written policies outlining the expectations for journal entry authorization, documentation, and review. We recommend establishing and following written policies and procedures on the expectations and responsibilities related to the authorization, documentation, and review of journal entries.

2020-003 PURCHASING POLICY - RECURRING

During our review of the City's internal controls, we found that the City lacks a formal purchasing policy. Although the City may have an informal policy, we recommend the City adopt a more formal and comprehensive purchasing policy, approved by City Council, which would provide detailed guidance to employees and management. This will help to ensure consistency, even if there is staff turnover. The purchasing policy should be evaluated regularly and updated periodically, as necessary. It should be readily accessible to all applicable employees.

2015-003 INTERFUND RECEIVABLES AND PAYABLES - RECURRING

During our audit, we determined that the City does not have procedures in place to ensure that all interfund receivable and payable are properly reconciled. We recommend that the City put procedures in place to ensure these interfund receivables and payables are reconciled on a monthly basis to ensure that any errors in recording transactions are corrected in a timely manner.

2012-001 INVENTORY - RECURRING

During our review of the City's internal controls over inventory, we found that the City had inadequate controls over the access to, and records for inventory items. We noted that the Water/Sewer and Electric supervisors and their employees have access to inventory items. Additionally, we found that the City does not track the items purchased and placed into inventory or the items taken out of inventory during the year. Instead, the City only takes a physical inventory count at year-end.

We recommend the City implement procedures to secure inventory by limiting physical access to the inventory to only a limited number of individuals. Additionally, records should be maintained to track items being added to and taken from inventory during the year so that these records can be reconciled to the inventory count performed by City personnel at year-end.

2009-001 ACCOUNTS PAYABLE - RECURRING

During our audit, we noted instances in which a check was written after year-end for goods received prior to year-end and the expense was posted to the year in which the check was written. Expenses should be posted in the year in which the goods or services are received regardless of when the invoice is paid. If the invoice is paid in the subsequent year, accounts payable should be increased for this amount. We recommend procedures be implemented to ensure that accounts payable is properly stated at year-end.

2009-003 COURT FINES AND FEES - RECURRING

During our review of the City's general ledger, we noticed that court fines and fees were being posted to liability, revenue and expense accounts. We recommend when court fines and fees are paid by customers, the entire amount paid be posted to a liability account. Quarterly, when the City remits a large portion of these fines and fees to the state, the City should post a reduction to the liability. The City should also post an entry to revenue for the portion of the fines and fees that the City is allowed to retain. No expenses for court fines and fees should be posted by the City.

2009-004 OUTSTANDING ITEMS - RECURRING

During our testing of outstanding items on the bank reconciliations, we noticed a large deposit for property taxes collected by the County before year-end but not remitted to the City until after year-end. We recommend deposits be posted to the general ledger in the month in which they are received to ensure that cash and property taxes receivable are properly stated.

2009-005 UTILITY SALES TAX - RECURRING

Sales tax received from customers for utilities is being posted to a revenue account. When the sales tax is remitted to the state each quarter, the payment is being posted to an expense account. At year-end there is no liability being posted for the amount of sales tax collected in January that is not remitted to the state until February. We recommend the City post all sales tax received from customers to a liability account, and when this sales tax is remitted to the state the checks be posted to offset the liability. Any differences between the amount collected and the amount remitted to the state should be investigated to ensure that customers are being billed correctly and the correct amount is being remitted to the state.

MANAGEMENT'S REPSONSE TO FINDINGS

The City concurs with the findings and has implemented corrective actions to ensure established procedures are in place and performed.