

CITY OF EAGLE LAKE, TEXAS

Annual Financial Report

For the Year Ended September 30, 2014

**CITY OF EAGLE LAKE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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CITY OF EAGLE LAKE

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Eagle Lake, Texas 77434

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February 20, 2015

To the Honorable Mayor, Members of the City Council, and Citizens
of the City of Eagle Lake, Texas

State law requires that the City of Eagle Lake publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Eagle Lake for the fiscal year ended September 30, 2014.

This report consists of management's representation concerning the finances of the City of Eagle Lake. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report.

Management of the City of Eagle Lake has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the City of Eagle Lake's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Eagle Lake's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The City of Eagle Lake's financial statements have been audited by Trlicek & Co., P.C., Certified Public Accountants. The independent auditor has issued an unqualified ("clean") opinion on the City of Eagle Lake's financial statements for the fiscal year ended September 30, 2014. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Eagle Lake's MD&A can be found immediately following the independent auditor's report.

Profile of the City

The City of Eagle Lake, incorporated in 1888, is located in the southeastern part of the state. The City currently has a land area of 2.65 square miles and a population of 3,664. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City has operated under the council-manager form of government since 1952.

Policy making and legislative authority are vested in the City Council, which consists of a mayor and five council members. The council is elected at large on a non-partisan basis to two-year staggered terms. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City's manager. The city manager is responsible for carrying out the policies and the ordinances of the City Council, for overseeing the day-to-day operations of the City, and, with the advice of the City Council, appointing and removing all department heads.

The annual budget serves as the foundation for the City of Eagle Lake's financial planning and control. The budget is prepared by fund, function, and department. The city manager is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Local economy

The City's region has an economic base that includes agriculture/agribusiness (mostly rice), gravel mining, materials transporting, retail and wholesale trade, and selected services. Local indicators point to continued economic stability. The region (which includes the City, two other incorporated cities and the unincorporated area within the county) has an unemployment rate of 4.3% compared to the state's average rate of 5.4% and the national average of 5.1%. The region has an employed labor force of approximately 9,978.

Long-term financing

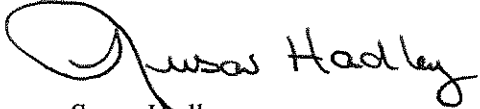
The City currently has one outstanding certificate of obligation issue:

During fiscal year ended September 30, 2012, the City issued \$2,005,000 Limited Tax Refunding Bonds, Series 2012 for the refunding of the Series 1993, 1997 and 2003 Certificates of Obligation Bonds. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in a reduction of \$190,987 in future debt service payments. The bonds have an interest rate of 2.17% and maturity of March 1, 2023. Interest is payable semiannually on March 1 and September 1. The outstanding balance at September 30, 2014 was \$1,660,000.

Acknowledgements

All members of the administration are to be commended for their contribution to the preparation of this report.

Respectfully submitted,

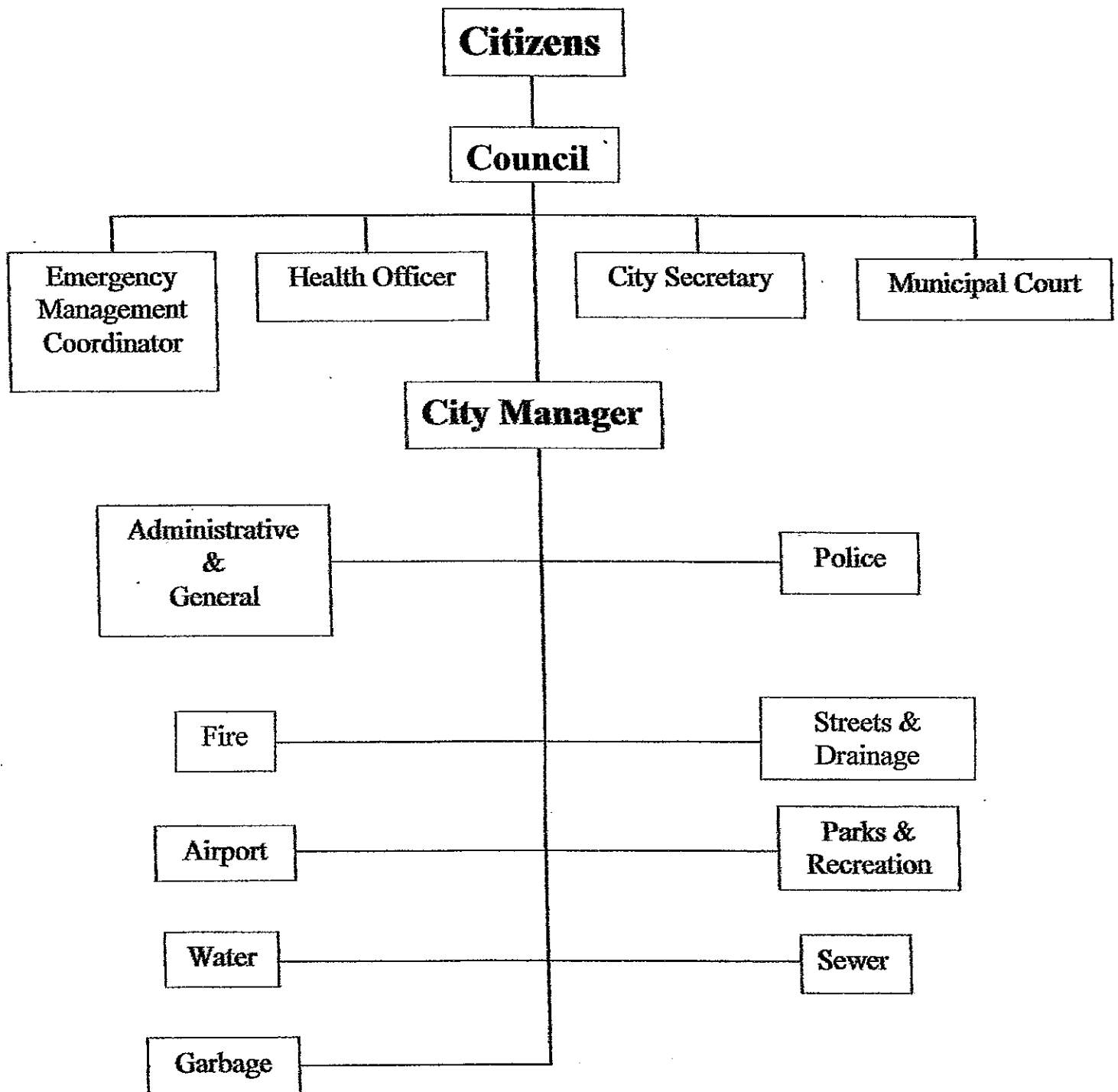
A handwritten signature in black ink, appearing to read "Susan Hadley". The signature is fluid and cursive, with a large loop at the beginning.

Susan Hadley
City Secretary

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CITY OF EAGLE LAKE, TEXAS

ORGANIZATIONAL CHART



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**CITY OF EAGLE LAKE, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2014**

<u>Title</u>	<u>Name</u>
<u>Elected Officials</u>	
Mayor	Mary Parr
Alderman	John Young (1)
Alderman	Alex Ramirez, Jr.
Alderman	Benny Landrum
Alderman	Michael Cooper
Alderman	Tony Tyler
<u>Appointed Officials</u>	
City Manager	Sylvia Rucka
City Secretary/Director of Finance	Susan Hadley
Chief of Police	David Freeman
Public Works Director	Dan Clark
Fire Chief	Howard Wilkerson
Municipal Judge	George Cason
City Attorney	Donald Bendy
Fire Marshall	Todd Mascheck
Code Enforcement Officer	Victor Shimek
(1) Mayor Pro-tem	

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FINANCIAL SECTION

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TRLICEK & CO., P.C.

Certified Public Accountants

113 W. Colorado St.

P.O. Box 817

La Grange, TX 78945

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
City of Eagle Lake, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Texas as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Texas as of September 30, 2014, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 16 and 44 through 48 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 Eagle Lake Texas's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Trliceck & Co., P.C.
February 20, 2015

**CITY OF EAGLE LAKE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

As management of the City of Eagle Lake, we offer readers of the City of Eagle Lake's financial statements this narrative overview and analysis of the financial activities of the City of Eagle Lake for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report.

Financial Highlights

- The assets of the City of Eagle Lake exceeded its liabilities at the close of the most recent fiscal year by \$7,205,992 (net assets). Of this amount, \$2,251,655 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$42,290. Net assets of governmental activities increased \$196,527 while business-type activities decreased \$154,237. These changes are discussed further on the following pages.
- As of the close of the current fiscal year, the City of Eagle Lake's governmental funds reported combined ending fund balances of \$899,059, an increase of \$52,263 in comparison with the prior year. Approximately 88% of this total amount, \$795,276, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$441,219 or 32% of total general fund expenditures.
- The City of Eagle Lake's total debt decreased by \$239,401 (12%) during the current fiscal year. Principal payments of \$244,391 were made. The remaining increase of \$4,990 is the decrease in compensated absences payable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Eagle Lake's basic financial statements. The City of Eagle Lake'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.

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eagle Lake that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Eagle Lake include general government, public safety (police and fire), streets and drainage, economic development, airport and parks and recreation. The business-type activities of the City of Eagle Lake include utility services of water, sewer and garbage.

The government-wide financial statements include only the City of Eagle Lake. The City of Eagle Lake has no component units.

The government-wide financial statements can be found on pages 17 and 18 of this report.

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

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

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

The City of Eagle Lake maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, contingency special revenue fund, debt service fund and a capital project fund, each of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

Proprietary funds. The City of Eagle Lake maintains 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 of Eagle Lake uses enterprise funds to account for its utility services of water, sewer and garbage and a dormant gas service activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both the aforementioned utility services. The Utility fund is considered to be a major fund of the City of Eagle Lake.

The basic proprietary fund financial statements can be found on pages 23-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* concerning the City of Eagle Lake's progress in funding its obligation to provide pension benefits to its employees. Schedules comparing actual results with the original budget and the final amended budget for the City's General Fund and its Contingency Special Revenue Fund (a major fund) are also presented in the RSI section. RSI can be found on pages 43-47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary. Combining and individual fund statements and schedules can be found on pages 48-53 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City of Eagle Lake's case, assets exceeded liabilities by \$7,205,992 at the close of the most recent fiscal year.

As shown in Table 1, by far the largest portion of the City of Eagle Lake's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The City of Eagle Lake uses these capital assets to provide services to citizens; consequently, those assets are *not* available for future spending.

Although the City of Eagle Lake'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 cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets
September 30, 2014

Table 1

	Governmental activities		Business-type activities		Total	
ASSETS	2014	2013	2014	2013	2014	2013
Current and other assets	\$1,098,773	\$1,025,527	\$1,643,962	\$1,807,073	\$2,742,735	\$2,832,600
Capital assets	3,247,688	3,349,344	3,143,081	3,136,508	6,390,769	6,485,852
Total assets	<u>4,346,461</u>	<u>4,374,871</u>	<u>4,787,043</u>	<u>4,943,581</u>	<u>9,133,504</u>	<u>9,318,452</u>
LIABILITIES						
Current and other liabilities	298,785	37,187	163,727	119,588	462,512	156,775
Long-term liabilities	1,465,000	1,951,535	-	46,440	1,465,000	1,997,975
Total liabilities	<u>1,763,785</u>	<u>1,988,722</u>	<u>163,727</u>	<u>166,028</u>	<u>1,927,512</u>	<u>2,154,750</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,538,343	1,397,809	3,143,081	3,136,508	4,681,424	4,534,317
Restricted	103,783	96,187	169,130	168,835	272,913	265,022
Unrestricted	940,550	892,153	1,311,105	1,472,210	2,251,655	2,364,363
Total net assets	<u>\$2,582,676</u>	<u>\$2,386,149</u>	<u>\$4,623,316</u>	<u>\$4,777,553</u>	<u>\$7,205,992</u>	<u>\$7,163,702</u>

An additional portion of the City of Eagle Lake's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2,251,655 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Eagle Lake is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$42,290 during the current fiscal year. This increase was the result of an increase from governmental activities of \$196,527 and a decrease of \$154,237 from business-type activities. Wallis State Bank also donated a bank building to the City of Eagle Lake with an appraised value of \$110,000. These changes are addressed in the following pages.

Governmental activities. Governmental activities increased the City's net assets by 196,527, as reflected below in Table 2 (after transfers in). Before transfers in, net assets increased by \$3,420.

Condensed Statement of Activities
September 30, 2014

Table 2

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ -	\$ -	\$ 1,786,958	\$ 1,679,199	\$ 1,786,958	\$ 1,679,199
Operating grants and contributions	12,000	12,000	-	-	12,000	12,000
Capital grants and contributions	110,000	506,195	-	-	110,000	506,195
General revenues						
Property taxes	732,720	729,723	-	-	732,720	729,723
Other non-property taxes	257,276	224,238	-	-	257,276	224,238
Sales taxes	251,049	258,970	-	-	251,049	258,970
Other revenues	258,358	397,239	2,147	2,926	260,505	400,165
Total revenues	<u>1,621,403</u>	<u>2,128,365</u>	<u>1,789,105</u>	<u>1,682,125</u>	<u>3,410,508</u>	<u>3,810,490</u>
Expenses						-
General government	205,680	1,002,504	-	-	205,680	1,002,504
Public safety	779,943	761,500	-	-	779,943	761,500
Streets	345,506	298,671	-	-	345,506	298,671
Airport	100,657	99,790	-	-	100,657	99,790
Parks and recreation	144,767	132,740	-	-	144,767	132,740
Interest on long-term debt	41,430	1,634,154	-	3,075	41,430	1,637,229
Water	-	-	599,785	568,649	599,785	568,649
Sewer	-	-	738,048	742,332	738,048	742,332
Garbage	-	-	410,343	339,259	410,343	339,259
Total expenses	<u>1,617,983</u>	<u>3,929,359</u>	<u>1,748,176</u>	<u>1,653,315</u>	<u>3,366,159</u>	<u>5,582,674</u>
Excess (deficiency) of revenues over expenses before transfers	3,420	(1,800,994)	40,929	28,810	44,349	(1,772,184)
Transfers in (out)	<u>193,107</u>	<u>186,439</u>	<u>(195,166)</u>	<u>(186,439)</u>	<u>(2,059)</u>	<u>-</u>
Increase (decrease) in net assets	196,527	(1,614,555)	(154,237)	(157,629)	42,290	(1,772,184)
Net Assets - October 1 (Beginning)	<u>2,386,149</u>	<u>4,000,704</u>	<u>4,777,553</u>	<u>4,935,182</u>	<u>7,163,702</u>	<u>8,935,886</u>
Net Assets - September 30 (Ending)	<u>\$ 2,582,676</u>	<u>\$ 2,386,149</u>	<u>\$ 4,623,316</u>	<u>\$ 4,777,553</u>	<u>\$ 7,205,992</u>	<u>\$ 7,163,702</u>

Business-type activities. Business-type activities decreased the City's net assets by \$154,237 (after transfers). Before transfers, business-type activities increased the City's net assets by \$40,929.

- Charges for services for business-type activities increased by more than 6%. No rate increases were implemented during the current fiscal year but usage was up due to drought-like conditions.

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, *unreserved 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 \$899,059, an increase of \$52,263 from the prior year. \$795,276 of ending fund balance constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to debt service \$50,200 or for a variety of other restricted purposes \$53,583.

The general fund is the chief operating fund of the City of Eagle Lake. At the end of the current fiscal year, unreserved fund balance of the general fund was \$441,219, while total fund balance reached \$492,913. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32% of total general fund expenditures, while total fund balance represents 36% of that same amount.

The fund balance of the City of Eagle Lake's general fund increased by \$25,634 during the current fiscal year. Revenues have remained relatively constant for the last nine years. Revenues decreased over the prior year. Expenditures decreased over the prior year. Refunding bond monies are recorded in the General Fund until prior debt is paid off. The remaining balance, if any, will be transferred to the debt service fund to help pay the remaining debt.

The debt service fund has a total fund balance of \$50,200, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$4,537, which was \$4,633 better than anticipated.

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

Unrestricted net assets for the Utility Fund at the end of the year amounted to \$1,311,105. Net assets for the Utility Fund reflected an increase of \$38,870 before transfers of \$193,107. Factors concerning the finances of the Utility fund have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Eagle Lake's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$6,280,769 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer system, improvements, machinery and equipment, park facilities, and streets. The total decrease in the City's investment in capital assets for the current fiscal year was 3.2%. (a 6.3% decrease for governmental activities and a .2% increase for business-type activities).

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

**Capital Assets
(net of depreciation)**

Table 3

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 643,044	\$ 643,044	\$ 8,315	\$ 8,315	\$ 651,359	\$ 651,359
Buildings	793,767	712,312	1,440	1,920	795,207	714,232
Improvements	1,452,591	1,619,852	2,484,534	2,778,792	3,937,125	4,398,644
Machinery and equipment	241,677	244,664	631,458	318,310	873,135	562,974
Vehicles	104,156	129,472	17,334	29,171	121,490	158,643
Construction in progress	12,453	-	-	-	12,453	-
Total	\$ 3,247,688	\$3,349,344	\$3,143,081	\$3,136,508	\$ 6,390,769	\$6,485,852

Additional information on the City of Eagle Lake's capital assets can be found in Note C on page 34 of this report.

Long-term debt. At the end of the current fiscal year, the City of Eagle Lake had total bonded debt outstanding of \$1,660,000. This amount, \$1,660,000 is completely backed by the full faith and credit of the City.

**Outstanding Debt
Certificates of Obligation**

Table 4

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
2012 Limited Tax Refunding Bonds	\$1,660,000	\$1,875,000	\$ -	\$ -	\$1,660,000	\$1,875,000
Total	\$1,660,000	\$1,875,000	\$ -	\$ -	\$1,660,000	\$1,875,000

The bonds have an interest rate of 2.17% and maturity of March 1, 2023. Interest is payable semiannually on March 1 and September 1.

Additional information on the City of Eagle Lake's long-term debt can be found in Note G on pages 37-38 of this report.

Economic Factors and Next Year's Budget

- The unemployment rate for Colorado County is currently 4.1% (Eagle Lake is the second largest of the three incorporated cities in the county), which is a decrease from a rate of 4.3% a year ago. This compares favorably to the state's average unemployment rate of 4.7% and national average rate of 4.6%.
- Inflationary trends in the region compare favorably to national indices.
- Property tax values continue to climb in Colorado County and the region in general. Ad valorem tax revenues make up the largest component of the City's governmental revenue (45%).
- Fuel costs have increased in all City departments, and in particular, departments which require heavy use of vehicles such as the Police Department and the Garbage Department.
- The City is not immune to the trend of rising health insurance costs in the Country.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

The General Fund budget for 2015 includes transfers in (from the Utility Fund) to help it meet its proposed expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Eagle Lake'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 financial information should be addressed to the City of Eagle Lake, Texas, P.O. Box 38, Eagle Lake, Texas 77434.

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BASIC FINANCIAL STATEMENTS

City of Eagle Lake, Texas
Statement of Net Assets
September 30, 2014

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 579,200	\$ 1,289,620	\$ 1,868,820
Investments	-	46,469	46,469
Receivables (net, where applicable of allowance for uncollectible)	191,346	227,229	418,575
Internal Balances	300,425	(300,425)	-
Inventory	-	85,987	85,987
Restricted Assets:			
Cash	27,802	288,225	316,027
Deferred Charges	-	6,857	6,857
Capital Assets (net of accumulated depreciation):			
Land	643,044	8,315	651,359
Buildings	793,768	1,440	795,208
Improvements	1,452,590	2,484,535	3,937,125
Machinery and Equipment	241,677	631,457	873,134
Vehicles	104,156	17,334	121,490
Constuction in Progress	12,453	-	12,453
Total Assets	<u>\$ 4,346,461</u>	<u>\$ 4,787,043</u>	<u>\$ 9,133,504</u>
LIABILITIES			
Accounts Payable	\$ 53,245	\$ 6,800	\$ 60,045
Matured Bonds and Coupons Payable	1,195	375	1,570
Liabilities Payable From Restricted Assets	-	119,095	119,095
Noncurrent Liabilities:			
Due Within One Year	244,345	37,457	281,802
Due In More Than One Year	1,465,000	-	1,465,000
Total Liabilities	<u>1,763,785</u>	<u>163,727</u>	<u>1,927,512</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,538,343	3,143,081	4,681,424
Restricted Fund Balances			
Retirement of Long-Term Debt	50,200	1,609	51,809
Law Enforcement	28,592	-	28,592
Committed Fund Balances:			
Capital Expenditures for Equipment	15,697	145,232	160,929
Construction	5,572	22,289	27,861
Tourism	3,722	-	3,722
Unassigned	<u>940,550</u>	<u>1,311,105</u>	<u>2,251,655</u>
Total Net Assets	<u>\$ 2,582,676</u>	<u>\$ 4,623,316</u>	<u>\$ 7,205,992</u>

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

City of Eagle Lake, Texas
Statement of Activities
For the Year Ended September 30, 2014

Function/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Primary Government		Total
					Govern- mental Activities	Business- Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 205,680	\$ -	\$ -	\$ 110,000	\$ (95,680)	\$ -	\$ (95,680)
Police	681,095	-	-	-	(681,095)	-	(681,095)
Fire	98,848	-	12,000	-	(86,848)	-	(86,848)
Streets	345,506	-	-	-	(345,506)	-	(345,506)
Airport	100,657	-	-	-	(100,657)	-	(100,657)
Parks and Recreation	144,767	-	-	-	(144,767)	-	(144,767)
Interest on Long-Term Debt	41,430	-	-	-	(41,430)	-	(41,430)
Total Governmental Activities	1,617,983	-	12,000	110,000	(1,495,983)	-	(1,495,983)
Business-Type Activities							
Water	599,785	611,242	-	-	-	11,457	11,457
Sewer	738,048	668,124	-	-	-	(69,924)	(69,924)
Garbage	410,343	507,592	-	-	-	97,249	97,249
Total Business-Type Activities	1,748,176	1,786,958	-	-	-	38,782	38,782
Total Primary Government	<u>\$ 3,366,159</u>	<u>\$ 1,786,958</u>	<u>\$ 12,000</u>	<u>\$ 110,000</u>	(1,495,983)	38,782	(1,457,201)
General Revenues:							
Property Taxes					732,720	-	732,720
Other Non-Property Taxes					257,276	-	257,276
Sales Taxes					251,049	-	251,049
Grant Revenues					-	-	-
Miscellaneous					258,358	-	258,358
Unrestricted Investment Earnings					-	2,147	2,147
Interest Expense					-	-	-
Transfers					193,107	(195,166)	(2,059)
Total General Revenues and Transfers					1,692,510	(193,019)	1,499,491
Change in Net Assets					196,527	(154,237)	42,290
Net Assets - Beginning					2,386,149	4,777,553	7,163,702
Net Assets - Ending					<u>\$ 2,582,676</u>	<u>\$ 4,623,316</u>	<u>\$ 7,205,992</u>

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

CITY OF EAGLE LAKE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

		Special Revenue	Debt Service
	General	Contingency	
ASSETS			
Cash and Cash Equivalents	\$ 134,406	\$ 335,278	\$ 51,395
Cash - Restricted	27,802	-	-
Receivables (Net of Allowance for Uncollectibles)	149,226	-	42,120
Due From Other Funds	357,878	-	-
Total Assets	<u>\$ 669,312</u>	<u>\$ 335,278</u>	<u>\$ 93,515</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	53,245	-	-
Due to Other Funds	20,000	-	-
Matured Bonds and Coupons	-	-	1,195
Deferred Revenues	103,154	-	42,120
Total Liabilities	<u>176,399</u>	<u>-</u>	<u>43,315</u>
Fund Balances:			
Restricted Fund Balances:			
Retirement of Long-Term Debt	-	-	50,200
Law Enforcement	26,703	-	-
Committed Fund Balances			
Other	15,697	-	-
Tourism	3,722	-	-
Street Construction	5,572	-	-
Unassigned	441,219	335,278	-
Total Fund Balances	<u>492,913</u>	<u>335,278</u>	<u>50,200</u>
Total Liabilities and Fund Balances	<u>\$ 669,312</u>	<u>\$ 335,278</u>	<u>\$ 93,515</u>

The accompanying notes are an integral part of this statement.

<u>Capital Project</u>		<u>Total</u>
<u>Airport Construction</u>	<u>Other Governmental</u>	<u>Governmental Funds</u>
\$ -	\$ 58,121	\$ 579,200
-	-	27,802
-	-	191,346
-	-	357,878
<u>\$ -</u>	<u>\$ 58,121</u>	<u>\$ 1,156,226</u>

-	-	53,245
-	37,453	57,453
-	-	1,195
-	-	145,274
<u>-</u>	<u>37,453</u>	<u>257,167</u>

-	-	50,200
-	1,889	28,592
-	-	15,697
-	-	3,722
-	-	5,572
-	18,779	795,276
<u>-</u>	<u>20,668</u>	<u>899,059</u>
<u>\$ -</u>	<u>\$ 58,121</u>	<u>\$ 1,156,226</u>

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CITY OF EAGLE LAKE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Total Fund Balances - Governmental Funds	\$ 899,059
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,247,688
Deferred property taxes are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	145,274
Long-term liabilities, are not due and payable in the current period and, therefore, not reported in the funds.	
Limited Tax Refunding Bond, Series 2012	(1,660,000)
Capitalized leases	(31,154)
Compensated absences	(18,191)
Net Assets of Governmental Activities	<u>\$ 2,582,676</u>

The accompanying notes are an integral part of this statement.

CITY OF EAGLE LAKE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2014

		Special Revenue		Capital Project
	General	Contingency	Debt Service	Airport Construction
REVENUES:				
Ad Valorem Taxes	\$ 526,276	\$ -	\$ 206,444	\$ -
Non-Property Taxes	508,325	-	-	-
Licenses and Permits	9,018	-	-	-
Fines and Forfeitures	134,362	-	-	-
Use of Property	33,137	-	-	-
Miscellaneous Revenue	33,400	750	-	-
Grant Revenue	-	-	-	-
Intergovernmental Revenue	12,000	-	-	-
Total Revenues	<u>1,256,518</u>	<u>750</u>	<u>206,444</u>	<u>-</u>
EXPENDITURES:				
Current:				
Administrative and General	183,728	-	-	-
Police Department	650,770	-	-	-
Fire Department	63,490	-	-	-
Streets and Drainage	265,165	-	-	-
Airport	22,831	-	-	-
Parks and Recreation	95,812	-	-	-
Debt Service:				
Principal	30,000	-	215,000	-
Interest	3,023	-	38,407	-
Capital Outlay	50,072	-	-	-
Total Expenditures	<u>1,364,891</u>	<u>-</u>	<u>253,407</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under)				
Expenditures	<u>(108,373)</u>	<u>750</u>	<u>(46,963)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	134,007	6,000	51,500	-
Total Other Financing Sources (Uses)	<u>134,007</u>	<u>6,000</u>	<u>51,500</u>	<u>-</u>
Net Change	25,634	6,750	4,537	-
Fund Balance - October 1 (Beginning)	467,279	328,528	45,663	-
Fund Balance - September 30 (Ending)	<u>\$ 492,913</u>	<u>\$ 335,278</u>	<u>\$ 50,200</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 732,720
-	508,325
-	9,018
-	134,362
46,249	79,386
1,442	35,592
-	-
-	12,000
<u>47,691</u>	<u>1,511,403</u>

1,750	185,478
-	650,770
-	63,490
-	265,165
13,993	36,824
-	95,812
-	245,000
-	41,430
18,206	68,278
<u>33,949</u>	<u>1,652,247</u>
<u>13,742</u>	<u>(140,844)</u>

<u>1,600</u>	<u>193,107</u>
<u>1,600</u>	<u>193,107</u>
15,342	52,263
5,326	846,796
<u>\$ 20,668</u>	<u>\$ 899,059</u>

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CITY OF EAGLE LAKE, TEXAS

***RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014***

Total Net Change in Fund Balances - Governmental Funds **\$ 52,263**

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

Capital Outlay	178,278
Depreciation	(279,934)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Tax Revenue	3,729
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Payments on Certificates of Obligation	215,000
Principal Payments on Capitalized Leases	29,392
Capitalized Lease Addition	-

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	<u>(2,201)</u>
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Change in Net Assets of Governmental Activities	<u>\$ 196,527</u>
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The accompanying notes are an integral part of this statement.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities -	
	Utility Fund	Gas Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,289,620	\$ -
Investments	46,469	-
Restricted cash and cash equivalents	288,225	-
Accounts receivable-net of uncollectible allowance	227,229	-
Due from other funds	57,453	-
Intergovernmental receivable	-	-
Inventories	85,987	-
Total Current Assets	1,994,983	-
Noncurrent Assets:		
Restricted cash and cash equivalents	-	-
Total restricted assets	-	-
Deferred charges	6,857	-
Capital assets:		
Land	8,315	-
Buildings and system	110,052	-
Improvements other than buildings	8,985,851	-
Machinery and equipment	1,405,683	-
Vehicles	232,359	-
Construction in progress	-	-
	10,742,260	-
Accumulated depreciation - capital assets	(7,599,179)	-
Total Noncurrent Assets	3,143,081	-
Total Assets	\$ 5,144,921	\$ -

The accompanying notes are an integral part of this statement.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities -	
	Utility Fund	Gas Fund
LIABILITIES		
Current Liabilities:		
Accounts payable	6,800	-
Due to other funds	357,878	-
Compensated absences	27,429	-
Customer deposits payable	119,095	-
Matured coupons payable	375	-
Penalties payable - current	10,028	-
Capital leases payable - current	-	-
Total Current Liabilities	<u>521,605</u>	<u>-</u>
Noncurrent Liabilities		
Penalties payable - noncurrent	-	-
Capital leases payable	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>521,605</u>	<u>-</u>
NET ASSETS		
Investments in capital assets, net of debt	3,143,081	-
Restricted for:		
Construction	22,289	-
Debt service	1,609	-
Capital outlay	145,232	-
Unrestricted net assets	<u>1,311,105</u>	<u>-</u>
Total Net Assets	<u>\$ 4,623,316</u>	<u>\$ -</u>

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities -	
	Utility Fund	Gas Fund
OPERATING REVENUES:		
Charges for Sales and Services		
Water sales	\$ 611,242	\$ -
Sewer charges	639,076	-
Garbage fees	507,592	
Late payment penalties	29,048	
Miscellaneous	-	-
Total Operating Revenues	<u>1,786,958</u>	<u>-</u>
OPERATING EXPENSES:		
Personnel	587,730	-
Maintenance and operations	783,467	-
Depreciation	376,979	-
Total Operating Expenses	<u>1,748,176</u>	<u>-</u>
Operating Income	<u>38,782</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES):		
Intergovernmental	-	-
Investment earnings	2,147	
Interest expense	-	-
Bond issuance costs	(2,059)	-
Total Non-Operating Revenue (Expenses)	<u>88</u>	<u>-</u>
Income Before Transfers	<u>38,870</u>	<u>-</u>
Transfers In (Out)	(193,107)	-
Change in Net Assets	<u>(154,237)</u>	<u>-</u>
Total Net Assets - October 1 (Beginning)	<u>4,777,553</u>	<u>-</u>
Total Net Assets - September 30 (Ending)	<u>\$ 4,623,316</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities -	
	Utility Fund	Gas Fund
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers and users	\$ 1,810,848	\$ -
Payments to suppliers	(777,315)	-
Payments employees	(584,941)	-
Net Cash Provided by Operating Activities	<u>448,592</u>	<u>-</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Transfers to other funds	(193,107)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(193,107)</u>	<u>-</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Federal grant	-	-
Principal payments on capital lease	-	-
Interest payments on capital lease	-	-
Purchases of capital assets	(383,552)	-
Refunding of debt	-	-
Repayment of long-term debt	-	-
Interest paid on long-term debt	-	-
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(383,552)</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>		
Interest received	2,147	-
Investments - other	(15)	-
Net Cash Provided by Investing Activities	<u>2,132</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(125,935)	-
Cash and Cash Equivalents at Beginning of the Year:	<u>1,703,780</u>	<u>-</u>
Cash and Cash Equivalents at End of the Year:	<u>\$ 1,577,845</u>	<u>\$ -</u>
<u>Reconciliation to Total Cash and Cash Equivalents:</u>		
Cash and Cash Equivalents on Balance Sheet	\$ 1,289,620	\$ -
Restricted-Cash and Cash Equivalents on Balance Sheet	288,225	-
Total Cash and Cash Equivalents	<u>\$ 1,577,845</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities - Utility Fund	Governmental Activities - Equipment Reserve Fund
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income:	\$ 38,782	\$ -
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	376,979	-
Amortization	2,059	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in account receivable	(23,890)	-
Decrease (increase) in intergovernmental receivable	-	-
Decrease (increase) in inventories	(12,532)	-
Decrease (increase) in due from other funds	12,547	-
Decrease (increase) in deferred charges	(2,059)	-
Increase (decrease) in accounts payable	2,147	-
Increase (decrease) in due to other funds	59,007	-
Increase (decrease) in compensated absences payable	2,789	-
Increase (decrease) in utility deposits	4,535	-
Increase (decrease) in penalties payable	(11,772)	-
Net Cash Provided by Operating Activities	<u>\$ 448,592</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Eagle Lake was incorporated under the laws of the State of Texas in 1888 and operates under a Manager-Council form of government. The following services are provided by the City: public safety (police and fire), public works (streets and drainage), parks and recreation, airport and utilities (water, sewer and garbage).

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

The City's financial statements include the accounts of all City operations. The City has determined no entities exist which meet the criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Therefore, there are no component units included in this report.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer and garage services which are accrued. Expenses are recognized at the time a liability is incurred.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end..

The revenues susceptible to accrual are property taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major funds:

General Fund

The *General Fund* is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund

The Contingency Fund is used to account for funds restricted by Council for future unforeseeable events.

Debt Service Fund

The *Debt Service Fund* is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Project Fund

The *Capital Project Fund* is used to account for funds received and expended for purchase of improvements at the Eagle Lake regional airport.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. In accounting for proprietary funds, the City has chosen, as allowed by GASB Statement No. 20, to follow all GASB pronouncements as well as all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 which do not contradict or conflict with GASB pronouncements. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Utility Fund

The *Utility Fund* is used to account for the provision of water and sewer services and garbage collection to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities.

The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for the Utilities Fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary's principal ongoing operations. Operating expenses for the proprietary fund include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgetary Control

The City's fiscal year is the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 1.

Upon receipt of the budget estimates, the Council holds a public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.

At least ten days prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are as originally adopted by the City Council, as there were no amendments made during the fiscal year.

F. Cash and Cash Equivalents

The City pools cash resources of its General and Utility funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing deposits and disclosed as part of the City's deposits and investments.

The City considers its cash and certificates of deposits (including restricted assets), to be cash equivalents.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

G. Inventories and Prepaid Items

Proprietary Fund Inventories are valued at cost using the first-in/first-out (FIFO) method. The City had no significant inventories in the General or Special Revenue Funds. Where certain payments to vendors reflect costs applicable to future accounting periods they are recorded as prepaid items.

H. Interfund 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

I. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Government and Proprietary Funds.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Management determines which assets are capitalized based on the nature of the asset and its estimated useful life regardless of cost. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20 – 50
Infrastructure	10 – 50
Machinery and equipment	5 – 20
Vehicles	5 – 15

K. Compensated Absences

Vacation time may be accumulated up to the maximum number of hours an employee earns during a twenty-four month period. Accumulated sick leave is for the sole purpose of permitting an employee to be relieved of his duties during actual illness and may not be used under any other circumstances.

L. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – Fund balance reported as "nonspendable" represents fund balance associated with inventory or prepaid items. The cash outlay for these types of items has already been made and, therefore, the resources represented by this fund balance classifications cannot be spent again.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Restricted Fund Balance – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or the external providers of those resources.

Committed Fund Balance – Fund balance reported as “committed” represents amounts that can be spent only for the specific purposes determined by a formal action of our City’s highest level of decision-making authority.

Assigned Fund Balance – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as “committed” or “restricted” fund balance. Our governing body may grant to an administrator within the organization the authority to assign fund balance.

Unassigned Fund Balance – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. These amounts are unconstrained in that they may be spent for any purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the carrying amount of the City’s deposits with financial institutions was \$2,231,317 and the bank balance was \$2,343,388. Of the bank balance, \$1,345,287 was covered by federal depository insurance. The remaining balance was covered by collateral held in the pledging financial institutions’ trust department in the City’s name.

The City’s deposits and investments consist of the following as permitted by The Public Funds Investment Act and the City of Eagle Lake’s adopted Investment Policy:

Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed two years to stated maturity; and constant dollar Texas Local Government Investment Pools.

The City’s investment policy, in an effort to control credit risk, requires depositories to provide 100% of the market value of the City’s time or demand deposits as collateral.

At year end, the City’s investment balances were as follows:

	Reported Amount/ Fair Value
Tex-Pool - Investments not subject to categorization	\$ 46,469

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

The City's investment policy requires investment pools to be continuously rated no lower than AAA or AAAM by a nationally recognized rating service. Its policy also requires the pool to maintain a market value ratio of between .995 and 1.005. The City's funds in Tex-Pool have a dollar weighted average maturity of 27 days.

Tex-Pool Investments are not categorized in accordance with GASB No. 3, because they are not evidenced by securities that exist in physical or book entry form. Tex-Pool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Tex-Pool uses and amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Tex-Pool is the same as the value of Tex-Pool shares. Market value per share was 1.00 at September 30, 2014.

The State Comptroller of Public Accounts exercises oversight responsibility over Tex-Pool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operation, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in Tex-Pool and other persons who do not have a business relationship with Tex-Pool. The Advisory Board members review the investment policy and management fee structure. Finally, Tex-Pool is rated AAAM by Standard and Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poors, as well as the office of the Comptroller of Public Accounts for review.

B. Receivables

Receivables as of year end for the City, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts	Taxes	Special Assessment	Total Receivables
Governmental activities				
General	\$ -	\$ 112,298	\$ 2,856	\$ 115,154
Sales taxes	-	46,072	-	46,072
Debt service	-	45,620	-	45,620
	-	203,990	2,856	206,846
Business-type activities				
Utilities	236,125	-	-	236,125
Gross receivables	236,125	203,990	2,856	442,971
Less: allowance for uncollectibles	(8,896)	(15,500)	-	(24,396)
Net total receivables	<u>\$ 227,229</u>	<u>\$ 188,490</u>	<u>\$ 2,856</u>	<u>\$ 418,575</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	\$ 100,299	\$ -
Delinquent property taxes receivable (debt service fund)	42,120	-
Special assessments not yet due (general fund)	2,856	-
	<u>\$ 145,275</u>	<u>\$ -</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable by February 1, at which time they become delinquent. The Colorado County Central Appraisal District assesses, bills and collects property taxes for the City.

C. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 643,044	\$ -	\$ -	\$ 643,044
Construction in progress	-	12,453	-	12,453
Total capital assets not being depreciated	643,044	12,453	-	655,497
Other capital assets:				
Buildings	1,196,430	115,753	-	1,312,183
Improvements	4,849,003	-	-	4,849,003
Machinery and equipment	1,162,685	50,072	-	1,212,757
Vehicles	840,963	-	(72,669)	768,294
Total other capital assets at historical cost	8,049,081	165,825	(72,669)	8,142,237
Less accumulated depreciation for:				
Buildings	(484,118)	(34,298)	-	(518,416)
Improvements	(3,229,151)	(167,261)	-	(3,396,412)
Machinery and equipment	(918,021)	(53,059)	-	(971,080)
Vehicles	(711,491)	(25,316)	72,669	(664,138)
Total accumulated depreciation	(5,342,781)	(279,934)	72,669	(5,550,046)
Total other capital assets, net	2,706,300	(114,109)	-	2,592,191
Governmental activities, capital assets, net	\$ 3,349,344	\$ (101,656)	\$ -	\$ 3,247,688
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 8,315	\$ -	\$ -	\$ 8,315
Construction in progress	-	-	-	-
Total capital assets not being depreciated	8,315	-	-	8,315
Other capital assets:				
Buildings	110,052	-	-	110,052
Improvements - Distribution and collection systems	8,985,851	-	-	8,985,851
Machinery and equipment	1,022,131	383,552	-	1,405,683
Vehicles	472,465	-	(240,106)	232,359
Total other capital assets at historical cost	10,590,499	383,552	(240,106)	10,733,945
Less accumulated depreciation for:				
Buildings	(108,132)	(480)	-	(108,612)
Improvements - Distribution and collection systems	(6,207,059)	(294,258)	-	(6,501,317)
Machinery and equipment	(703,821)	(70,404)	-	(774,225)
Vehicles	(443,294)	(11,837)	240,106	(215,025)
Total accumulated depreciation	(7,462,306)	(376,979)	240,106	(7,599,179)
Total other capital assets, net	3,128,193	6,573	-	3,134,766
Business-type activities, capital assets, net	\$ 3,136,508	\$ 6,573	\$ -	\$ 3,143,081

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

Governmental activities:	
General Government	\$ 6,938
Police	30,325
Fire	35,358
Streets	80,341
Airport	77,825
Parks	48,955
Total governmental activities	<u>\$ 279,742</u>
Business-type activities:	
Water	\$ 132,675
Sewer	236,339
Garbage	7,965
Total business-type activities	<u>\$ 376,979</u>

D. Leases

Operating Lease. For the year ended September 30, 2014, the City earned revenues as lessor of part of the City Hall Building to the United States Postal Service. The lease covers the period February 1st thru January 31st. Rent amount to be collected is \$11,220 per year thru January 2018.

The asset being leased is as follows:

	<u>Governmental Activities</u>
Asset:	
Building Cost	
City Hall and Post Office	\$ 83,685
Less: Accumulated depreciation	(83,685)
Carry amount	<u>\$ -</u>

E. Payables

Payables at September 30, 2014 were as follows:

	<u>Vendors</u>	<u>Court Costs</u>	<u>TCEQ Fine Payable</u>	<u>Other</u>	<u>Total Payables</u>
Governmental activities:					
General	<u>\$ 7,885</u>	<u>\$ 27,170</u>	<u>\$ -</u>	<u>\$ 18,190</u>	<u>\$ 53,245</u>
Business-type activities:					
Utilities	<u>\$ 6,800</u>	<u>\$ -</u>	<u>\$ 10,028</u>	<u>\$ 27,429</u>	<u>\$ 44,257</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances at September 30, 2014 is as follows:

Due to/Due from:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 357,878	\$ 20,000
Airport Special Revenue Fund	-	37,453
Utility	57,453	357,878
Totals	<u>\$ 415,331</u>	<u>\$ 415,331</u>

Transfer In/Transfer Out

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Debt	\$ 51,500	\$ -
General	134,007	-
Utility	-	193,107
TDHCA HOME Program Special Revenue Fund	1,600	-
Contingency Special Revenue Fund	6,000	-
Totals	<u>\$ 193,107</u>	<u>\$ 193,107</u>

G. Long-term debt

Long-term debt payable at September 30, 2014 consisted of the following issues:

	<u>Total Payable</u>	<u>Current Portion</u>
Governmental activities:		
Limited Tax Refunding Bond, Series 2012, 2.17% maturing annually through 2023; interest payable semi-annually	<u>\$ 1,660,000</u>	<u>\$ 195,000</u>
	<u>\$ 1,660,000</u>	<u>\$ 195,000</u>
Total long-term obligations	<u>\$ 1,660,000</u>	<u>\$ 195,000</u>

Capital Lease Obligations

The City has a long-term capital lease with Ford Motor Credit Company to finance the acquisition of three police vehicles. The lease qualifies as a capital lease for accounting purposes and defined under the Financial Accounting Standards Board Statement No. 13, *Accounting for Leases*, and therefore has been recorded as the present value of future minimum lease payments at the date of inception of the lease. The vehicles were secured in September 2013 with an annual interest rate of 6.0% and the lease matures on September 11, 2015.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Long-term Debt Activity

Long-term debt activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 1,875,000	\$ -	(215,000)	\$ 1,660,000	\$ 195,000
Capitalized leases	60,545	-	(29,391)	31,154	31,154
Compensated absences	15,990	2,201	-	18,191	18,191
Total governmental activities	<u>\$ 1,951,535</u>	<u>\$ 2,201</u>	<u>(244,391)</u>	<u>\$ 1,709,345</u>	<u>\$ 244,345</u>
Business-type activities:					
Compensated absences	\$ 24,640	\$ 2,789	\$ -	\$ 27,429	\$ 27,429
Total business-type activities	<u>\$ 24,640</u>	<u>\$ 2,789</u>	<u>\$ -</u>	<u>\$ 27,429</u>	<u>\$ 27,429</u>
Total government	<u>\$ 1,976,175</u>	<u>\$ 4,990</u>	<u>(244,391)</u>	<u>\$ 1,736,774</u>	<u>\$ 271,774</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

The annual requirements to pay principal and interest on long-term of obligations outstanding at September 30, 2014, excluding capital leases and accrued compensation payable, are as follows:

	Governmental Activities		Business-type Activities	
	Certificates of Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2015	\$ 195,000	\$ 33,906	\$ -	\$ -
2016	215,000	29,458	-	-
2017	165,000	25,335	-	-
2018	170,000	21,700	-	-
2019	170,000	18,011	-	-
2020-2023	745,000	32,713	-	-
Total government	<u>\$ 1,660,000</u>	<u>\$ 161,123</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

H. Restricted assets

The balance of the restricted asset accounts in the enterprise funds were as follows:

	September 30, 2014	September 30, 2013
Current assets:		
Restricted cash and equivalents:		
Customer deposits - Utility Fund	\$ 119,095	\$ 114,560
Construction accounts	22,289	22,242
Capital outlay accounts	145,232	144,984
Debt service accounts	1,609	1,609
Total	<u>\$ 288,225</u>	<u>\$ 283,395</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For its liability, property and worker's compensation insurance, the City is a participant in the Texas Municipal League Intergovernmental Risk Pool (TML), a public entity risk pool operated by the Texas Municipal League for the benefit of political subdivisions of the State of Texas. The City pays an annual premium to TML for this coverage.

TML is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1 million per occurrence for property damage, \$1 million per occurrence for general liability and \$1 million per occurrence for worker's compensation. TML obtains independent coverage for insured events in excess of the amount listed above. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. Contingent Liabilities

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

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

C. Employee Retirement Systems and Plans

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/25	60/10,0/25
Updated Service Credit	100 % Repeating, Transfers	100 % Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.4 years; closed period	25.2 years; closed period	25.0 years; closed period
Amortization Period for new Gain/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funding status as of December 31, 2013, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 3,283,938	\$ 3,328,169	98.7%	\$ 44,231	\$ 1,094,992	4.0%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Volunteer Firemen – Texas Statewide Emergency Services Personnel Retirement Fund

Plan Description

Substantially all of the City of Eagle Lake's Volunteer Firemen are covered by the Texas Statewide Emergency Services Personnel Retirement Fund, a cost-sharing multiple employer pension plan, established and administered by the State of Texas.

The pension plan was created by Senate Bill 411, 65th Legislature, and was revised in the 76th Legislature. The plan includes retirement benefits as well as death and disability benefits.

All fire fighters in good standing who meet certain requirements as to attendance at drills and fire are covered. Members are vested beginning with the fifth year of service, at 5% per year of service for the first ten years and 10% for each of the next five years of service.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 7% compounded annually. Death and disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and/or dependents.

The Texas Statewide Emergency Services Personnel Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Morris E. Sandefer, Commissioner, Fire Fighter's Pension Commission, P.O. Box 12577, Austin, Texas 78711-2577.

Three-Year Trend Information

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/12	\$ 21,966	100%	\$ -
09/30/13	\$ 22,200	100%	\$ -
09/30/14	\$ 23,458	100%	\$ -

D. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government or are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

Concentration of Credit Risk

The risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

Interest Rate Risk

The risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

Foreign Currency Risk

The risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF EAGLE LAKE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$ 2,813,480	\$ 2,761,287	101.9%	\$ (52,193)	\$ 934,932	-5.6%
12/31/2012	3,033,352	2,875,694	105.5%	(157,658)	1,050,244	-15.0%
12/31/2013	3,283,938	3,328,169	98.7%	44,231	1,094,992	4.0%

CITY OF EAGLE LAKE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes:				
Property Taxes	\$ 554,869	\$ 554,869	\$ 526,276	\$ (28,593)
General Sales and Use Taxes	250,000	250,000	251,049	1,049
Franchise Taxes	200,000	200,000	247,974	47,974
Other Taxes	8,900	8,900	9,302	402
Licenses and Permits	9,600	9,600	9,018	(582)
Fines and forfeitures	45,230	45,230	134,362	89,132
Use of property	34,300	34,300	33,137	(1,163)
Miscellaneous Revenue	24,400	24,400	33,400	9,000
Grant Revenue	-	-	-	-
Intergovernmental Revenue	12,000	12,000	12,000	-
Total Revenues	<u>1,139,299</u>	<u>1,139,299</u>	<u>1,256,518</u>	<u>117,219</u>
EXPENDITURES:				
Current:				
Administrative and General				
Personnel	53,500	53,500	55,118	(1,618)
Maintenance	16,600	16,600	11,843	4,757
Supplies	9,450	9,450	6,689	2,761
Utilities	12,700	12,700	14,218	(1,518)
Operational Expenses	60,950	60,950	79,216	(18,266)
Special Services	27,000	27,000	16,644	10,356
	<u>180,200</u>	<u>180,200</u>	<u>183,728</u>	<u>(3,528)</u>
Police Department				
Personnel	533,800	533,800	534,981	(1,181)
Maintenance	24,400	24,400	26,421	(2,021)
Supplies	39,700	39,700	38,260	1,440
Utilities	10,700	10,700	9,968	732
Operational Expenses	33,000	33,000	41,140	(8,140)
	<u>641,600</u>	<u>641,600</u>	<u>650,770</u>	<u>(9,170)</u>
Fire Department				
Personnel	1,245	1,245	1,095	150
Maintenance	7,000	7,000	3,556	3,444
Supplies	10,550	10,550	10,429	121
Utilities	4,700	4,700	5,182	(482)
Operational Expenses	39,750	39,750	43,228	(3,478)
	<u>63,245</u>	<u>63,245</u>	<u>63,490</u>	<u>(245)</u>

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	Amounts	
Street Department				
Personnel	123,500	123,500	181,619	(58,119)
Maintenance	40,650	40,650	26,574	14,076
Supplies	26,100	26,100	22,618	3,482
Operational Expenses	37,700	37,700	34,354	3,346
Special Services	300	300	-	300
	<u>228,250</u>	<u>228,250</u>	<u>265,165</u>	<u>(36,915)</u>
Airport Department				
Personnel	26,100	26,100	11,008	15,092
Maintenance	4,900	4,900	2,621	2,279
Supplies	2,300	2,300	490	1,810
Utilities	6,300	6,300	4,840	1,460
Operational Expenses	4,800	4,800	3,872	928
	<u>44,400</u>	<u>44,400</u>	<u>22,831</u>	<u>21,569</u>
Parks and Recreation Department				
Personnel	63,100	63,100	47,808	15,292
Maintenance	11,400	11,400	8,222	3,178
Supplies	12,350	12,350	5,980	6,370
Utilities	14,800	14,800	21,343	(6,543)
Operational Expenses	12,000	12,000	12,459	(459)
	<u>113,650</u>	<u>113,650</u>	<u>95,812</u>	<u>17,838</u>
Capital Outlay	82,690	82,690	50,072	32,618
Debt Service				
Principal	-	-	30,000	(30,000)
Interest	-	-	3,023	(3,023)
	<u>-</u>	<u>-</u>	<u>33,023</u>	<u>(33,023)</u>
Total Expenditures	<u>1,354,035</u>	<u>1,354,035</u>	<u>1,364,891</u>	<u>(10,856)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(214,736)	(214,736)	(108,373)	106,363
OTHER FINANCING SOURCES (USES):				
Transfers In (Out)	150,000	150,000	134,007	(15,993)
Total Other Financing Sources (Uses)	150,000	150,000	134,007	(15,993)
Net Change	(64,736)	(64,736)	25,634	90,370
Fund Balance - October 1 (Beginning)	467,279	467,279	467,279	-
Fund Balance - September 30 (Ending)	<u>\$ 402,543</u>	<u>\$ 402,543</u>	<u>\$ 492,913</u>	<u>\$ 90,370</u>

CITY OF EAGLE LAKE, TEXAS**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN****FUND BALANCES - BUDGET AND ACTUAL - CONTINGENCY SPECIAL REVENUE FUND****FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive or
				(Negative)
Revenues				
Interest Income	\$ 1,000	\$ 1,000	\$ 750	\$ (250)
Total Revenues	1,000	1,000	750	(250)
Expenditures				
Administrative and General	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,000	1,000	750	(250)
Other Financing Sources (Uses)				
Transfers In (Out)	6,000	6,000	6,000	-
Total Other Financing Sources (Uses)	6,000	6,000	6,000	-
Net Change in Fund Balance	7,000	7,000	6,750	(250)
Fund Balance, Beginning of Year	328,528	328,528	328,528	-
Fund Balance, End of Year	\$ 335,528	\$ 335,528	\$ 335,278	\$ (250)

CITY OF EAGLE LAKE, TEXAS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2014

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital projects funds and the Home Program special revenue fund, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

All department heads were required to provide the City Manager with information necessary to prepare the budget by June 1, 2013. The proposed operating budget was then filed on August 9, 2013 with the municipal clerk. The operating budget includes proposed expenditures for the fiscal year commencing the following October 1st and the means of financing them. After holding a public hearing to obtain taxpayer comments, the City Council adopted the budget on September 10, 2013 by passage of an ordinance.

The appropriated budget is prepared by fund, function, department, object and finally sub-object and the legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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COMBINING AND INDIVIDUAL FUND SCHEDULES

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Airport Fund – This fund is used to account for the City's revenues and expenditures related to the operation of its airport.

Chapter 59 Seizures Fund – This fund is used to account for forfeitures awarded as part of Article 59.06 of the Code of Criminal Procedure and may be expended solely for law enforcement purposes.

TDHCA HOME Fund – This fund is used to account for the HOME Program's revenues and expenditures in serving the housing needs of Texans with a primary focus on rural Texas.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Airport Construction Fund – This fund is used to account for construction costs to rehabilitate various aspects of the municipal airport. Grant funds from the Texas Department of Transportation will fund the majority of the costs.

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CITY OF EAGLE LAKE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Airport	Chapter 59 Seizures	TDHCA Home	Total Nonmajor Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 56,232	\$ 1,889	\$ -	\$ 58,121
Total Assets	<u>\$ 56,232</u>	<u>\$ 1,889</u>	<u>\$ -</u>	<u>\$ 58,121</u>
Liabilities				
Due to Other Funds	<u>\$ 37,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,453</u>
Total Liabilities	<u>37,453</u>	<u>-</u>	<u>-</u>	<u>37,453</u>
Fund Balance				
Restricted Fund Balances:				
Other Restrictions of Fund Balance	-	1,889	-	1,889
Unassigned	<u>18,779</u>	<u>-</u>	<u>-</u>	<u>18,779</u>
Total Fund Balances	<u>18,779</u>	<u>1,889</u>	<u>-</u>	<u>20,668</u>
Total Liabilities and Fund Balances	<u>\$ 56,232</u>	<u>\$ 1,889</u>	<u>\$ -</u>	<u>\$ 58,121</u>

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CITY OF EAGLE LAKE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Airport	Chapter 59 Seizures	TDHCA Home	Total Nonmajor Governmental Funds
Revenues				
Use of Property	\$ 46,249	\$ -	\$ -	\$ 46,249
Grant Revenue	-	-	-	-
Miscellaneous	1,442	-	-	1,442
Total Revenues	47,691	-	-	47,691
Expenditures				
General Government	13,993	150	1,600	15,743
Capital Outlay	18,206	-	-	18,206
Total Expenditures	32,199	150	1,600	33,949
Excess of Revenues Over Expenditures	15,492	(150)	(1,600)	13,742
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	1,600	1,600
Total Other Financing Sources (Uses)	-	-	1,600	-
Net Change in Fund Balance	15,492	(150)	-	15,342
Fund Balance, Beginning of Year	3,287	2,039	-	5,326
Fund Balance, End of Year	\$ 18,779	\$ 1,889	\$ -	\$ 20,668

CITY OF EAGLE LAKE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Airport			Chapter 59 Seizures		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
Revenues						
Use of Property	\$ 50,334	\$ 46,249	\$ (4,085)	\$ -	\$ -	\$ -
Grant Revenue	-	-	-	-	-	-
Miscellaneous	150,000	1,442	(148,558)	-	-	-
Total Revenues	200,334	47,691	(152,643)	-	-	-
Expenditures						
Airport Maintenance	20,000	-	20,000	-	-	-
Miscellaneous	31,500	13,993	17,507	-	150	(150)
Capital Outlay	140,000	18,206	121,794	2,000	-	2,000
Total Expenditures	191,500	32,199	159,301	2,000	150	1,850
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,834	15,492	6,658	(2,000)	(150)	1,850
Other Financing Sources (Uses)						
Transfers In (Out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance	8,834	15,492	6,658	(2,000)	(150)	1,850
Fund Balance, Beginning of Year	3,287	3,287	-	2,039	2,039	-
Fund Balance, End of Year	<u>\$ 12,121</u>	<u>\$ 18,779</u>	<u>\$ 6,658</u>	<u>\$ 39</u>	<u>\$ 1,889</u>	<u>\$ 1,850</u>

TDHCA Home Program			Total Nonmajor Governmental Funds		
Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ 50,334	\$ 46,249	\$ (4,085)
622,000	-	(622,000)	622,000	-	(622,000)
-	-	-	150,000	1,442	(148,558)
-	-	-	-	-	-
622,000	-	(622,000)	822,334	47,691	(774,643)
-	-	-	-	-	-
-	-	-	20,000	-	20,000
622,000	1,600	620,400	653,500	15,743	637,757
-	-	-	142,000	18,206	123,794
622,000	1,600	620,400	815,500	33,949	781,551
-	(1,600)	(1,600)	6,834	13,742	6,908
-	1,600	1,600	-	1,600	1,600
-	1,600	1,600	-	1,600	1,600
-	-	-	6,834	15,342	8,508
-	-	-	5,326	5,326	-
\$ -	\$ -	\$ -	\$ 12,160	\$ 20,668	\$ 8,508

CITY OF EAGLE LAKE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original and Final Budget	Actual	Variance
Revenues			
Ad valorem Taxes	\$ 191,759	\$ 198,926	\$ 7,167
Penalty and Interest	10,000	7,518	(2,482)
Interest Income	-	-	-
Total Revenues	201,759	206,444	4,685
Expenditures			
Administrative and General			
Debt Service:			
Principal	215,000	215,000	-
Interest and fees	38,355	38,407	(52)
Total Expenditures	253,355	253,407	(52)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,596)	(46,963)	4,633
Other Financing Sources (Uses)			
Transfers In (Out)	51,500	51,500	-
Total Other Financing Sources (Uses)	51,500	51,500	-
Net Change in Fund Balance	(96)	4,537	4,633
Fund Balance, Beginning of Year	45,663	45,663	-
Fund Balance, End of Year	\$ 45,567	\$ 50,200	\$ 4,633

CITY OF EAGLE LAKE, TEXAS
AIRPORT CONSTRUCTION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenues				
Intergovernmental - Texas Department of Transportation - Aviation Division	<u>\$ 842,450</u>	<u>\$ -</u>	<u>\$ 842,450</u>	<u>\$ 943,956</u>
Total Revenues	<u>842,450</u>	<u>-</u>	<u>842,450</u>	<u>943,956</u>
Expenditures				
Capital Outlay:				
Airport	<u>936,056</u>	<u>-</u>	<u>936,056</u>	<u>1,048,840</u>
Total Expenditures	<u>936,056</u>	<u>-</u>	<u>936,056</u>	<u>1,048,840</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(93,606)</u>	<u>-</u>	<u>(93,606)</u>	<u>(104,884)</u>
Other Financing Sources (Uses)				
Transfers In	101,163	-	101,163	104,884
Transfers Out	<u>(7,557)</u>	<u>-</u>	<u>(7,557)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>93,606</u>	<u>-</u>	<u>93,606</u>	<u>104,884</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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INTERNAL CONTROL AND COMPLIANCE

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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*

To the Honorable Mayor and Members
of the City Council
City of Eagle Lake, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Eagle Lake, Texas, as of and for the year ended September 30, 2014, which collectively comprise the City of Eagle Lake, Texas's basic financial statements and have issued our report thereon dated February 20, 2015. 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.

Internal Control Over Financial Reporting

Management of City of Eagle Lake, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Eagle Lake, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Eagle Lake, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eagle Lake, Texas's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Eagle Lake, Texas's financial statements are free of 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 the determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Trlicek & Co., P.C.
February 20, 2015