

CITY OF EAGLE LAKE, TEXAS

Annual Financial Report

For the Year Ended September 30, 2021

**CITY OF EAGLE LAKE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	4
List of Principal Officials	5
 FINANCIAL SECTION	
Independent Auditor's Report	6
Management's Discussion and Analysis (unaudited)	9
 Basic Financial Statements:	
<u>Government-Wide Statements:</u>	
Statement of Net Position	17
Statement of Activities	18
 <u>Governmental Fund Financial Statements:</u>	
Balance Sheet	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balance	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
 <u>Proprietary Fund Statements</u>	
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Fund Net Position	25
Statement of Cash Flows	26
 Notes to the Financial Statements	28
 Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual-General Fund	48
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual-Contingency Special Revenue Fund	50
Schedule of City's Proportionate Share of the Net Pension Liability- Texas Municipal Retirement System (TMRS)	51
Schedule of City's Contributions Texas Municipal Retirement System	52
Schedule of City's Proportionate Share of the Other Post Employment Benefits Net Liability -Texas Municipal Retirement System (TMRS)	53
Schedule of City's Contributions-Other Post Employment Benefits	54
Notes to Required Supplementary Information	55

Combining and Individual Fund Statements:

Combining Balance Sheet – Non-Major Governmental Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	57

**Statements of Revenues, Expenditures and Changes in Fund
Balances-Budget and Actual:**

Nonmajor Governmental Funds	58
Debt Service Fund	60

INTERNAL CONTROL AND COMPLIANCE

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	61
---	----

INTRODUCTORY SECTION

This page left blank intentionally.

Tim Kelley, Mayor
Rene Cooper, Mayor Pro-Tem
Michael Cooper, Alderman
Larry Contreras, Alderman
GayeLynn Thomas, Alderwoman
John Young, Alderman



Melissa Landín, City Manager
Lina Ferguson, City Secretary/HR
Federico Garza Jr., Chief of Police
Victor Shimek, Public Works Director
Stan Warfield, Municipal Court Judge
Jay Francis, Inspector

P.O. Box 38, Eagle Lake, Texas 77434 ~ (979) 234-2640

June 24, 2022

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, 2021.

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 Tricek & 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, 2021. 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 3,777. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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 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 4.1% compared to the state's average rate of 4.2% and the national average of 3.6%. The region has an employed labor force of approximately 9,907.

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, 2021 was \$380,000.

Acknowledgements

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

Respectfully submitted,

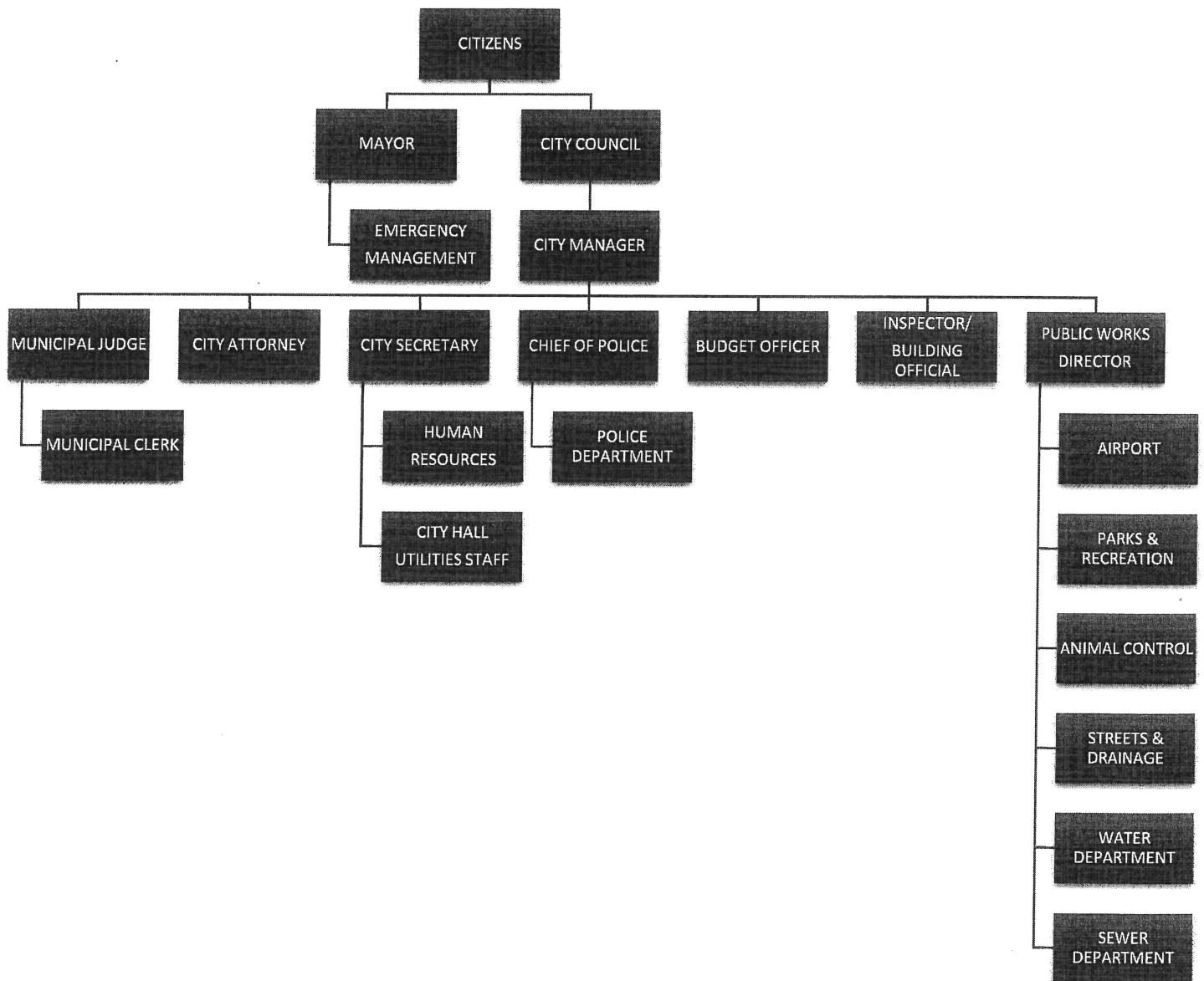
A handwritten signature in blue ink that reads "Melissa Landin". The signature is written in a cursive, flowing style.

Melissa Landin
City Manager

This page left blank intentionally.

CITY OF EAGLE LAKE

FISCAL YEAR 2020-2021 ORGANIZATIONAL CHART



This page left blank intentionally.

**CITY OF EAGLE LAKE, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2021**

<u>Title</u>	<u>Name</u>
<u>Elected Officials</u>	
Mayor	Mary Parr
Alderman	Rene' Cooper (1)
Alderman	GayeLynn Thomas
Alderman	Michael Cooper
Alderman	Larry Contreras
Alderman	John Young
<u>Appointed Officials</u>	
City Manager	Melissa Landin
City Secretary	Lina Ferguson
Chief of Police	Federico Garza, Jr.
Public Works Director	Victor Shimek
Fire Chief	Darrell Stancik
Municipal Judge	Stan Warfield
City Attorney	Art Pertile, III
Fire Marshall	Todd Mascheck
Code Enforcement Officer	Jay Francis
(1) Mayor Pro-tem	

This page left blank intentionally.

FINANCIAL SECTION

This page left blank intentionally.



TRLICEK & CO., P.C.

Certified Public Accountants

113 W. Colorado St.

P.O. Box 817

La Grange, TX 78945

(979) 533-0925

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Eagle Lake, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Texas as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 16 and 48 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Lake Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements 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. Such 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 section has 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2022 on our consideration of the City of Eagle Lake, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Eagle Lake, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Trick & Co., P.C.

La Grange, Texas
June 24, 2022

This page left blank intentionally.

**CITY OF EAGLE LAKE, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021. 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 \$8,369,115 (net position). Of this amount, \$3,684,821 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The government’s total net position increased by \$494,640. Net position of governmental activities increased \$519,572 while business-type activities decreased \$24,932. 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 \$2,596,745, an increase of \$448,097 in comparison with the prior year. Approximately 72% of this total amount, \$1,858,925, 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 \$1,326,111 or 68% of total general fund expenditures.
- The City of Eagle Lake’s total debt decreased by \$185,000 (33%) during the current fiscal year. Principal payments of \$185,000 were made. There were no additions to total debt during the current fiscal year.

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

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position 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 28-47 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 48-55 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 56-60 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City of Eagle Lake's case, assets exceeded liabilities by \$8,369,115 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 position (45%) 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 Position
September 30, 2021

Table 1

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$2,797,750	\$2,374,135	\$2,653,776	\$2,949,133	\$5,451,526	\$5,323,268
Capital assets	1,938,916	2,157,484	2,215,188	2,176,477	4,154,104	4,333,961
Deferred outflows	106,600	112,303	-	-	106,600	112,303
Total assets	<u>4,843,266</u>	<u>4,643,922</u>	<u>4,868,964</u>	<u>5,125,610</u>	<u>9,712,230</u>	<u>9,769,532</u>
LIABILITIES						
Current and other liabilities	27,244	36,873	927,794	836,621	955,038	873,494
Long-term liabilities	535,282	759,265	24,906	26,078	560,188	785,343
Deferred inflows	149,604	236,220	-	-	149,604	236,220
Total liabilities	<u>712,130</u>	<u>1,032,358</u>	<u>952,700</u>	<u>862,699</u>	<u>1,664,830</u>	<u>1,895,057</u>
NET POSITION						
Net Investment in						
Capital Assets	1,558,916	1,592,484	2,215,188	2,176,477	3,774,104	3,768,961
Restricted	602,894	116,916	1,369	1,419	604,263	118,335
Committed	134,926	124,888	171,001	213,070	305,927	337,958
Unrestricted	1,834,400	1,777,276	1,850,421	1,871,945	3,684,821	3,649,221
Total net position	<u>\$4,131,136</u>	<u>\$3,611,564</u>	<u>\$4,237,979</u>	<u>\$4,262,911</u>	<u>\$8,369,115</u>	<u>\$7,874,475</u>

An additional portion of the City of Eagle Lake's net position (23.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$3,684,821 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 position, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net position increased by \$494,640 during the current fiscal year. This increase was the result of an increase from governmental activities of \$519,572 and a decrease of \$24,932 from business-type activities. These changes are addressed in the following pages.

Governmental activities. Governmental activities increased the City's net position by \$519,572, as reflected below in Table 2 (after transfers in). Before transfers in, net position decreased by \$204,955.

Condensed Statement of Activities
September 30, 2021

Table 2

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ -	\$ -	\$ 1,987,305	\$ 2,058,657	\$ 1,987,305	\$ 2,058,657
Operating grants and contributions	46,000	15,000	208,394	38,540	254,394	53,540
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	904,397	875,704	-	-	904,397	875,704
Other non-property taxes	222,970	265,741	-	-	222,970	265,741
Sales taxes	376,474	333,575	-	-	376,474	333,575
Other revenues	402,172	310,968	2,847	7,925	405,019	318,893
Total revenues	<u>1,952,013</u>	<u>1,800,988</u>	<u>2,198,546</u>	<u>2,105,122</u>	<u>4,150,559</u>	<u>3,906,110</u>
Expenses						
General government	470,924	458,949	-	-	470,924	458,949
Public safety	1,111,644	1,057,871	-	-	1,111,644	1,057,871
Streets	351,259	380,734	-	-	351,259	380,734
Airport	60,056	74,161	-	-	60,056	74,161
Parks and recreation	152,781	143,564	-	-	152,781	143,564
Interest on long-term debt	10,304	14,333	-	-	10,304	14,333
Water	-	-	1,498,951	1,499,787	1,498,951	1,499,787
Sewer	-	-	-	-	-	-
Garbage	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-
Total expenses	<u>2,156,968</u>	<u>2,129,612</u>	<u>1,498,951</u>	<u>1,499,787</u>	<u>3,655,919</u>	<u>3,629,399</u>
Excess (deficiency) of revenues over expenses before transfers	(204,955)	(328,624)	699,595	605,335	494,640	276,711
Transfers in (out)	<u>724,527</u>	<u>647,143</u>	<u>(724,527)</u>	<u>(647,143)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	519,572	318,519	(24,932)	(41,808)	494,640	276,711
Net Position - October 1 (Beginning)	<u>3,611,564</u>	<u>3,293,045</u>	<u>4,262,911</u>	<u>4,304,719</u>	<u>7,874,475</u>	<u>7,597,764</u>
Net Position - September 30 (Ending)	<u>\$ 4,131,136</u>	<u>\$ 3,611,564</u>	<u>\$ 4,237,979</u>	<u>\$ 4,262,911</u>	<u>\$ 8,369,115</u>	<u>\$ 7,874,475</u>

Business-type activities. Business-type activities decreased the City's net position by \$24,932 (after transfers). Before transfers, business-type activities increased the City's net position by \$699,595.

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 \$2,596,745, an increase of \$448,097 from the prior year. \$1,858,925 of ending fund balance constitutes unassigned, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because it has already been committed to debt service \$98,001 or for a variety of other restricted purposes \$639,819.

The general fund is the chief operating fund of the City of Eagle Lake. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,326,111 while total fund balance reached \$1,961,264. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 68% of total general fund expenditures, while total fund balance represents 100% of that same amount.

The fund balance of the City of Eagle Lake's general fund increased by \$410,816 during the current fiscal year. Revenues have remained relatively constant for the last ten years. Revenues and expenditures increased over the prior year.

The debt service fund has a total fund balance of \$98,001, 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 \$13,252, which was \$44,565 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 position for the Utility Fund at the end of the year amounted to \$1,850,421. Net position for the Utility Fund reflected an increase of \$520,832 before transfers out of \$683,191. 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, 2021, amounts to \$4,154,104 (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 4.15% (a 10.13% decrease for governmental activities and a 1.78% 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 653,894	\$ 653,894	\$ 8,315	\$ 8,315	\$ 662,209	\$ 662,209
Buildings	448,446	482,055	-	-	448,446	482,055
Improvements	552,174	678,323	1,840,822	1,798,987	2,392,996	2,477,310
Machinery and equipment	74,018	127,014	278,294	344,689	352,312	471,703
Vehicles	-	5,814	87,757	24,486	87,757	30,300
Construction in progress	210,384	210,384	-	-	210,384	210,384
Total	<u>\$ 1,938,916</u>	<u>\$2,157,484</u>	<u>\$2,215,188</u>	<u>\$2,176,477</u>	<u>\$ 4,154,104</u>	<u>\$4,333,961</u>

Additional information on the City of Eagle Lake's capital assets can be found in Note II Section 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 \$380,000. This amount, \$380,000 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	
	2021	2020	2020	2020	2021	2020
2012 Limited Tax Refunding Bonds	\$ 380,000	\$ 565,000	\$ -	\$ -	\$ 380,000	\$ 565,000
Total	<u>\$ 380,000</u>	<u>\$ 565,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ 565,000</u>

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 2 Section G on pages 36-37 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 7.2% a year ago. This compares to the state's average unemployment rate of 4.2% and national average rate of 3.6%.
- 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 2022 fiscal year.

The General Fund budget for 2022 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.

BASIC FINANCIAL STATEMENTS

City of Eagle Lake, Texas
Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,652,900	\$ 2,239,941	\$ 3,892,841
Investments-Current	-	49,261	49,261
Receivables (net, where applicable of allowance for uncollectible)	235,917	290,984	526,901
Internal Balances	754,564	(754,564)	-
Inventories	-	73,590	73,590
Temporarily Restricted Assets:			
Restricted Assets-Cash	154,369	321,715	476,084
Capital Assets Not Being Depreciated	864,278	8,315	872,593
Capital Assets Net of Accumulated Depreciation	1,074,638	2,206,873	3,281,511
Total Assets	<u>\$ 4,736,666</u>	<u>\$ 4,436,115</u>	<u>\$ 9,172,781</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow Related to Pensions	\$ 86,432	\$ -	\$ 86,432
Deferred Outflow Related to OPEB	20,168	-	20,168
Total Deferred Outflow of Resources	<u>\$ 106,600</u>	<u>\$ -</u>	<u>\$ 106,600</u>
LIABILITIES			
Accounts Payable	\$ 26,049	\$ 23,510	\$ 49,559
Matured Bonds and Coupons Payable	1,195	375	1,570
Payable From Restricted Assets	-	149,345	149,345
Noncurrent Liabilities:			
Net Pension Liability	33,730	-	33,730
Other Post-Employment Benefits Liability	105,264	-	105,264
Due Within One Year	206,288	24,906	231,194
Due In More Than One Year	190,000	-	190,000
Total Liabilities	<u>562,526</u>	<u>198,136</u>	<u>760,662</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to Pensions	\$ 149,449	\$ -	\$ 149,449
Deferred Inflow Related to OPEB	155	-	155
Total Deferred Inflow of Resources	<u>149,604</u>	<u>-</u>	<u>149,604</u>
NET POSITION			
Net Investment in Capital Assets	1,558,916	2,215,188	3,774,104
Restricted For:			
Retirement of Long-Term Debt	98,001	1,369	99,370
Tourism	22,283	-	22,283
Law Enforcement	14,666	-	14,666
American Rescue	467,944	-	467,944
Committed For:			
Capital Expenditures for Equipment	-	148,231	148,231
Construction	5,572	22,770	28,342
Other	129,354	-	129,354
Unrestricted	1,834,400	1,850,421	3,684,821
Total Net Position	<u>\$ 4,131,136</u>	<u>\$ 4,237,979</u>	<u>\$ 8,369,115</u>

The accompanying notes are an integral part of the financial statements.

City of Eagle Lake, Texas
Statement of Activities
For the Year Ended September 30, 2021

Function/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Govern-mental Activities	Business-Type Activities
						Total
Primary Government						
Governmental Activities:						
General Government	\$ 470,924	\$ -	\$ -	\$ -	\$ (470,924)	\$ -
Police	1,006,188	-	-	-	(1,006,188)	-
Fire	105,456	-	16,000	-	(89,456)	-
Streets	351,259	-	-	-	(351,259)	-
Airport	60,056	-	30,000	-	(30,056)	-
Parks and Recreation	152,781	-	-	-	(152,781)	-
Interest on Long-Term Debt	10,304	-	-	-	(10,304)	-
Total Governmental Activities	2,156,968	-	46,000	-	(2,110,968)	-
Business-Type Activities						
Water	571,144	784,643	208,394	-	-	421,893
Sewer	567,678	790,613	-	-	-	222,935
Garbage	360,129	412,049	-	-	-	51,920
Total Business-Type Activities	1,498,951	1,987,305	208,394	-	-	696,748
Total Primary Government	\$ 3,655,919	\$ 1,987,305	\$ 254,394	\$ -	(2,110,968)	696,748
General Revenues:						
Property Taxes					904,397	-
Other Non-Property Taxes					222,970	-
Sales Taxes					376,474	-
Miscellaneous					402,172	-
Unrestricted Investment Earnings					-	2,847
Transfers					724,527	(724,527)
Total General Revenues and Transfers					2,630,540	(721,680)
Change in Net Assets					519,572	(24,932)
Net Position - Beginning (as restated)					3,611,564	4,262,911
Net Position - Ending					\$ 4,131,136	\$ 4,237,979

The accompanying notes are an integral part of the financial statements.

CITY OF EAGLE LAKE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2021

		Special Revenue	
	General	Contingency	Debt Service
ASSETS			
Cash and Cash Equivalents	\$ 1,016,224	\$ 385,834	\$ 99,196
Cash - Restricted	154,369	-	-
Receivables (Net of Allowance for Uncollectibles)	192,099	-	43,818
Due From Other Funds	754,564	-	-
Total Assets	<u>\$ 2,117,256</u>	<u>\$ 385,834</u>	<u>\$ 143,014</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	26,049	-	-
Matured Bonds and Coupons	-	-	1,195
Deferred Revenues	129,943	-	43,818
Total Liabilities	<u>155,992</u>	<u>-</u>	<u>45,013</u>
Fund Balances:			
Restricted Fund Balances:			
Retirement of Long-Term Debt	-	-	98,001
Tourism	22,283	-	-
Law Enforcement	10,000	-	-
American Rescue	467,944	-	-
Committed Fund Balances			
Other	129,354	-	-
Street Construction	5,572	-	-
Unassigned	1,326,111	385,834	-
Total Fund Balances	<u>1,961,264</u>	<u>385,834</u>	<u>98,001</u>
Total Liabilities and Fund Balances	<u>\$ 2,117,256</u>	<u>\$ 385,834</u>	<u>\$ 143,014</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental	Total Governmental Funds
\$ 151,646	\$ 1,652,900
-	154,369
-	235,917
-	754,564
<u>\$ 151,646</u>	<u>\$ 2,797,750</u>

-	26,049
-	1,195
-	173,761
<u>-</u>	<u>201,005</u>

-	98,001
-	22,283
4,666	14,666
-	467,944
-	129,354
-	5,572
146,980	1,858,925
<u>151,646</u>	<u>2,596,745</u>
<u>\$ 151,646</u>	<u>\$ 2,797,750</u>

This page left blank intentionally.

CITY OF EAGLE LAKE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$ 2,596,745
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,938,916
Deferred property taxes are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	173,761
Recognition of the City's proportionate share of the net pension liability is not reported in governmental funds.	(33,730)
Recognition of the City's proportionate share of the OPEB liability is not reported in governmental funds.	(105,264)
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	(380,000)
Compensated absences	(16,288)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to pensions	86,432
Deferred outflows of resources related to OPEB	20,168
Deferred inflows of resources related to pensions	(149,449)
Deferred inflows of resources related to OPEB	(155)
Net Position of Governmental Activities	\$ 4,131,136

The accompanying notes are an integral part of the financial statements.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2021

		Special Revenue	
	General	Contingency	Debt Service
REVENUES:			
Ad Valorem Taxes	\$ 681,233	\$ -	\$ 198,415
Penalties and Interest	29,461	-	10,141
Non-Property Taxes	599,444	-	-
Licenses and Permits	29,689	-	-
Fines and Forfeitures	60,257	-	-
Use of Property	20,636	-	-
Miscellaneous Revenue	198,867	564	-
Grant Revenue	-	-	-
Intergovernmental Revenue	16,000	-	-
Total Revenues	<u>1,635,587</u>	<u>564</u>	<u>208,556</u>
EXPENDITURES:			
Current:			
Administrative and General	497,706	-	-
Police Department	982,495	-	-
Fire Department	77,829	-	-
Streets and Drainage	288,486	-	-
Parks and Recreation	113,782	-	-
Debt Service:			
Principal	-	-	185,000
Interest	-	-	10,254
Fees	-	-	50
Capital Outlay	-	-	-
Total Expenditures	<u>1,960,298</u>	<u>-</u>	<u>195,304</u>
Excess (Deficiency) of Revenues over (under)			
Expenditures	<u>(324,711)</u>	<u>564</u>	<u>13,252</u>
OTHER FINANCING SOURCES (USES):			
Transfers In (Out)	<u>735,527</u>	<u>6,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>735,527</u>	<u>6,000</u>	<u>-</u>
Net Change	410,816	6,564	13,252
Fund Balance - October 1 (Beginning)	<u>1,550,448</u>	<u>379,270</u>	<u>84,749</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,961,264</u>	<u>\$ 385,834</u>	<u>\$ 98,001</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental	Total Governmental Funds
\$ -	\$ 879,648
-	39,602
-	599,444
-	29,689
-	60,257
81,567	102,203
10,592	210,023
30,000	30,000
-	16,000
<u>122,159</u>	<u>1,966,866</u>

87,694	585,400
-	982,495
-	77,829
-	288,486
-	113,782
-	185,000
-	10,254
-	50
-	-
<u>87,694</u>	<u>2,243,296</u>

<u>34,465</u>	<u>(276,430)</u>
---------------	------------------

<u>(17,000)</u>	<u>724,527</u>
<u>(17,000)</u>	<u>724,527</u>
17,465	448,097
134,181	2,148,648
<u>\$ 151,646</u>	<u>\$ 2,596,745</u>

This page left blank intentionally.

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, 2021***

Total Net Change in Fund Balances - Governmental Funds **\$ 448,097**

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	-
Depreciation	(218,568)

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

Deferred Tax Revenue	(14,853)
----------------------	----------

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	185,000
--	---------

Recognition of the City's proportionate share of the net pension expense is not reported in governmental funds.	133,291
---	---------

Recognition of the City's proportionate share of the net OPEB expense is not reported in governmental funds.	(12,418)
--	----------

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>(977)</u>
----------------------	--------------

Change in Net Position of Governmental Activities	<u>\$ 519,572</u>
--	--------------------------

The accompanying notes are an integral part of the financial statements.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities -	
	Utility Fund	Community Development Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,239,941	\$ -
Investments	49,261	-
Restricted cash and cash equivalents	321,715	-
Accounts receivable-net of uncollectible allowance	290,984	-
Inventories	73,590	-
Total Current Assets	<u>2,975,491</u>	<u>-</u>
Noncurrent Assets:		
Capital assets:		
Land	8,315	-
Buildings and system	110,052	-
Improvements other than buildings	9,035,374	664,059
Machinery and equipment	2,110,207	-
Vehicles	389,464	-
	<u>11,653,412</u>	<u>664,059</u>
Accumulated depreciation - capital assets	<u>(10,036,681)</u>	<u>(65,602)</u>
Total Noncurrent Assets	<u>1,616,731</u>	<u>598,457</u>
Total Assets	<u>\$ 4,592,222</u>	<u>\$ 598,457</u>

The accompanying notes are an integral part of the financial statements.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities -	
	Utility Fund	Community Development Fund
LIABILITIES		
Current Liabilities:		
Accounts payable	23,510	-
Due to other funds	754,564	-
Compensated absences	24,906	-
Customer deposits payable	149,345	-
Matured coupons payable	375	-
Capital leases payable - current	-	-
Total Current Liabilities	<u>952,700</u>	<u>-</u>
Noncurrent Liabilities		
Capital leases payable	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>952,700</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	1,616,731	598,457
Restricted for:		
Construction	22,770	-
Debt service	1,369	-
Capital outlay	148,231	-
Unrestricted	1,850,421	-
Total Net Position	<u>\$ 3,639,522</u>	<u>\$ 598,457</u>

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities -	
	Utility Fund	Community Development Fund
OPERATING REVENUES:		
Water sales	\$ 760,307	\$ -
Sewer charges	779,318	-
Garbage fees	412,049	-
Late payment penalties	24,336	-
Grant revenue	11,006	197,388
Intergovernmental revenue	-	-
Miscellaneous	11,295	-
Total Operating Revenues	<u>1,998,311</u>	<u>197,388</u>
OPERATING EXPENSES:		
Personnel	400,611	-
Maintenance and operations	796,799	-
Depreciation	282,916	18,625
Total Operating Expenses	<u>1,480,326</u>	<u>18,625</u>
Operating Income	<u>517,985</u>	<u>178,763</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	2,847	-
Total Non-Operating Revenue (Expenses)	<u>2,847</u>	<u>-</u>
Income Before Transfers	520,832	178,763
Transfers In (Out)	<u>(683,191)</u>	<u>(41,336)</u>
Change in Net Position	<u>(162,359)</u>	<u>137,427</u>
Total Net Position - October 1 (Beginning)	3,801,881	461,030
Total Net Position - September 30 (Ending)	<u>\$ 3,639,522</u>	<u>\$ 598,457</u>

The accompanying notes are an integral part of the financial statements.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities -	
	Utility Fund	Community Development Fund
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers and users	\$ 1,980,018	\$ -
Receipts from grants	-	197,388
Receipts from intergovernment	-	-
Payments to suppliers	(676,124)	-
Payments employees	(401,783)	-
Net Cash Provided by Operating Activities	<u>902,111</u>	<u>197,388</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Transfers to other funds	(683,191)	(41,336)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(683,191)</u>	<u>(41,336)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Purchases of capital assets	(141,799)	(198,453)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(141,799)</u>	<u>(198,453)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest received	2,847	-
Investments - other	(24)	-
Net Cash Provided by Investing Activities	<u>2,823</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	79,944	(42,401)
Cash and Cash Equivalents at Beginning of the Year:	<u>2,481,712</u>	<u>42,401</u>
Cash and Cash Equivalents at End of the Year:	<u><u>\$ 2,561,656</u></u>	<u><u>\$ -</u></u>
<u>Reconciliation to Total Cash and Cash Equivalents:</u>		
Cash and Cash Equivalents on Balance Sheet	\$ 2,239,941	\$ -
Restricted-Cash and Cash Equivalents on Balance Sheet	321,715	-
Total Cash and Cash Equivalents	<u><u>\$ 2,561,656</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities -	
	Utility Fund	Community Development Fund
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income:	\$ 517,985	\$ 178,763
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	282,916	18,625
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in account receivable	18,293	9,790
Decrease (increase) in inventories	(5,644)	-
Increase (decrease) in accounts payable	10,027	(9,790)
Increase (decrease) in due to other funds	77,191	-
Increase (decrease) in compensated absences payable	(1,172)	-
Increase (decrease) in utility deposits	2,515	-
Net Cash Provided by Operating Activities	<u>\$ 902,111</u>	<u>\$ 197,388</u>

The accompanying notes are an integral part of the financial statements.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 position 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 position 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, 2021

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, 2021

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 Position. 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, 2021

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
SEPTEMBER 30, 2020

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 Position

Net position represents the difference between assets and liabilities. Net investment 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 position is reported as restricted when there are limitations imposed on its 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 \$4,022,505 and the bank balance was \$4,168,357. Of the bank balance, \$1,824,144 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.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021.

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	\$ -	\$ 139,087	\$ 2,856	\$ 141,943
Sales taxes	-	62,156	-	62,156
Debt service	-	47,318	-	47,318
	-	248,561	2,856	251,417
Business-type activities				
Utilities	299,880	-	-	299,880
Gross receivables	299,880	248,561	2,856	551,297
Less: allowance for uncollectibles	(8,896)	(15,500)	-	(24,396)
Net total receivables	<u>\$ 290,984</u>	<u>\$ 233,061</u>	<u>\$ 2,856</u>	<u>\$ 526,901</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)	\$ 127,087	\$ -
Delinquent property taxes receivable (debt service fund)	43,818	-
Special assessments not yet due (general fund)	2,856	-
	<u>\$ 173,761</u>	<u>\$ -</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 653,894	\$ -	\$ -	\$ 653,894
Construction in progress	210,384	-	-	210,384
Total capital assets not being depreciated	<u>864,278</u>	<u>-</u>	<u>-</u>	<u>864,278</u>
Other capital assets:				
Buildings	1,202,183	-	-	1,202,183
Improvements	5,022,206	-	-	5,022,206
Machinery and equipment	1,595,493	-	-	1,595,493
Vehicles	855,502	-	-	855,502
Total other capital assets at historical cost	<u>8,675,384</u>	<u>-</u>	<u>-</u>	<u>8,675,384</u>
Less accumulated depreciation for:				
Buildings	(720,128)	(33,609)	-	(753,737)
Improvements	(4,343,883)	(126,149)	-	(4,470,032)
Machinery and equipment	(1,468,479)	(52,996)	-	(1,521,475)
Vehicles	(849,688)	(5,814)	-	(855,502)
Total accumulated depreciation	<u>(7,382,178)</u>	<u>(218,568)</u>	<u>-</u>	<u>(7,600,746)</u>
Total other capital assets, net	<u>1,293,206</u>	<u>(218,568)</u>	<u>-</u>	<u>1,074,638</u>
Governmental activities, capital assets, net	<u>\$ 2,157,484</u>	<u>\$ (218,568)</u>	<u>\$ -</u>	<u>\$ 1,938,916</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 8,315	\$ -	\$ -	\$ 8,315
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>8,315</u>	<u>-</u>	<u>-</u>	<u>8,315</u>
Other capital assets:				
Buildings	110,052	-	-	110,052
Improvements - Distribution and collection systems	9,500,981	198,453	-	9,699,434
Machinery and equipment	2,043,407	66,799	-	2,110,206
Vehicles	314,464	75,000	-	389,464
Total other capital assets at historical cost	<u>11,968,904</u>	<u>340,252</u>	<u>-</u>	<u>12,309,156</u>
Less accumulated depreciation for:				
Buildings	(110,052)	-	-	(110,052)
Improvements - Distribution and collection systems	(7,701,994)	(156,618)	-	(7,858,612)
Machinery and equipment	(1,698,718)	(133,194)	-	(1,831,912)
Vehicles	(289,978)	(11,729)	-	(301,707)
Total accumulated depreciation	<u>(9,800,742)</u>	<u>(301,541)</u>	<u>-</u>	<u>(10,102,283)</u>
Total other capital assets, net	<u>2,168,162</u>	<u>38,711</u>	<u>-</u>	<u>2,206,873</u>
Business-type activities, capital assets, net	<u>\$ 2,176,477</u>	<u>\$ 38,711</u>	<u>\$ -</u>	<u>\$ 2,215,188</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Governmental activities:	
General Government	\$ 5,420
Police	23,693
Fire	27,627
Streets	62,773
Airport	60,056
Parks	38,999
Total governmental activities	<u>\$ 218,568</u>
Business-type activities:	
Water	\$ 158,309
Sewer	143,232
Total business-type activities	<u>\$ 301,541</u>

D. Leases

Operating Lease. For the year ended September 30, 2021, 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 \$12,118 per year thru January 2023.

The asset being leased is as follows:

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, 2021 were as follows:

	Vendors	Court Costs	Other	Total Payables
Governmental activities:				
General	<u>\$ 2,055</u>	<u>\$ 7,706</u>	<u>\$ 16,288</u>	<u>\$ 26,049</u>
Business-type activities:				
Utilities	<u>\$ 18,769</u>	<u>\$ -</u>	<u>\$ 4,741</u>	<u>\$ 23,510</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances at September 30, 2021 is as follows:

Due to/Due from:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 754,564	\$ -
Utility	-	754,564
Totals	<u>\$ 754,564</u>	<u>\$ 754,564</u>

Transfer In/Transfer Out

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Utility	\$ 17,000	\$ 700,191
General Fund	735,527	\$ -
Community Development	1,065	42,401
Airport Special Revenue Fund	-	17,000
Contingency Special Revenue Fund	6,000	-
Totals	<u>\$ 759,592</u>	<u>\$ 759,592</u>

G. Long-term debt

Long-term debt payable at September 30, 2021 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	\$ 380,000	\$ 190,000
	<u>\$ 380,000</u>	<u>\$ 190,000</u>
Total long-term obligations	<u>\$ 380,000</u>	<u>\$ 190,000</u>

Capital Lease Obligations

The City has a long-term capital lease with Axon Enterprise, Inc. to finance the acquisition of ten tasers. 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 equipment was secured in June 2016 with an annual interest rate of 0.00% and the lease matured on June 1, 2021.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Long-term Debt Activity

Long-term debt activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 565,000	\$ -	(185,000)	\$ 380,000	\$ 185,000
Compensated absences	15,311	977	-	16,288	16,288
Total governmental activities	\$ 580,311	\$ 977	(185,000)	\$ 396,288	\$ 201,288
Business-type activities:					
Compensated absences	\$ 26,078	\$ -	\$ (1,172)	\$ 24,906	\$ 24,906
Total business-type activities	\$ 26,078	\$ -	\$ (1,172)	\$ 24,906	\$ 24,906
Total government	\$ 606,389	\$ 977	(186,172)	\$ 421,194	\$ 226,194

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, 2021, 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
2022	\$ 190,000	\$ 6,184	\$ -	\$ -
2023	190,000	2,062	-	-
Total government	\$ 380,000	\$ 8,246	\$ -	\$ -

H. Restricted assets

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

	September 30, 2021	September 30, 2020
Current assets:		
Restricted cash and equivalents:		
Customer deposits - Utility Fund	\$ 149,345	\$ 146,830
Construction accounts	22,770	22,744
Capital outlay accounts	148,231	148,046
Debt service accounts	1,369	1,419
Total	\$ 321,715	\$ 319,039

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Net Pension Liability

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

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.

C. Employee Retirement Systems and Plans

Texas Municipal Retirement System (TMRS)

Plan Description

The City of Eagle Lake participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (The TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

The City of Eagle Lake Volunteer Firemen are covered by a separate pension plan, therefore they are not included in the Texas Municipal Retirement System plan.

Benefits Provided

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

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

Plan provisions for the City were as follows:

	Plan Year 2020	Plan Year 2019
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Retirement Eligibility (Age/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
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

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

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	44
Active employees	25
	<hr/> 87

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Contributions

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

Employees for the City of Eagle Lake were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Eagle Lake were 9.56% and 10.23% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$118,265, and were equal to the required contributions.

The funding status as of December 31, 2020, 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
12/31/2020	\$ 5,134,151	\$ 5,167,881	99.35%	\$ 33,730	\$ 1,154,943	2.92%

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.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (6.75%) in measuring the 2020 net pension liability.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Decrease 7.75%
City's proportionate share of the net pension liability	\$ 713,994	\$ 33,730	\$ (526,753)

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

At September 30, 2021, the City reported a liability of \$33,730 for its proportionate share of the TMRS's net pension liability. This liability reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the collective net pension liability	\$ 33,730
State's proportionate share of the net pension liability associated with the City	<u>5,134,151</u>
Total	<u><u>\$ 5,167,881</u></u>

The net pension liability was measured as of September 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

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

At September 30, 2021, the City of Eagle Lake, Texas reported its proportionate share of the TMRS' deferred/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 14,473
Changes in Actuarial Assumptions	6,136	-
Differences Between Projected and Actual Investment Earnings	-	134,976
Contribution Made Subsequent to Measurement Date	80,296	-
	<u><u>\$ 86,432</u></u>	<u><u>\$ 149,449</u></u>

The following is deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense as follows:

Year Ended	Deferred Outflows (Inflows) of Resources
2021	\$ (58,335)
2022	4,326
2023	(81,341)
2024	(7,963)
2025	-
	<u><u>\$ (143,313)</u></u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

At September 30, 2021, the City of Eagle Lake, Texas recognized pension expense of \$(133,291) in the government – wide Statement of Activities

Texas Municipal Retirement System (TMRS) – Supplemental Death Benefits Fund

Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

The City of Eagle Lake Volunteer Firemen are covered by a separate pension plan, therefore they are not included in the Texas Municipal Retirement System plan.

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

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>25</u>
	40

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (2.00%) in measuring the 2020 net pension liability.

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Decrease 3.00%
City's proportionate share of the net OPEB liability	\$ 125,388	\$ 105,264	\$ 89,427

The net OPEB liability was measured as of December 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on the City’s contributions to the OPEB plan relative to the contributions of all employees to the plan for the period October 31, 2020 through September 30, 2021.

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

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

At September 30, 2020, the City of Eagle Lake, Texas reported its proportionate share of the TMRS' deferred/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 155
Changes in Actuarial Assumptions	16,923	-
Differences Between Projected and Actual Investment Earnings	-	-
Contribution Made Subsequent to Measurement Date	3,245	-
	<u>\$ 20,168</u>	<u>\$ 155</u>

The following is deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense as follows:

Year Ended	Deferred Outflows (Inflows) of Resources
2021	\$ 5,260
2022	4,893
2023	4,688
2024	1,927
2025	-
	<u>\$ 16,768</u>

At September 30, 2020, the City of Eagle Lake, Texas recognized OPEB expense of \$6,184 in the government-wide Statement of Activities.

Texas Emergency Services Retirement System

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (The System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2021, there were 239 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created the TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Covered Membership

At August 31, 2021, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,843
Terminated members entitled to but not yet receiving benefits	1,706
Active participants	3,571

Funding Policy

Contributions are made by government bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

According to the state law governing the System, the state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2021, the Part Two contributions were established by the to be 2% of the Part One contributions beginning September 1, 2021.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments made by the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2021 total contributions of \$15,639 were paid into TESRS by the City of Eagle Lake. This compares to total contributions of \$14,688 paid by the City of Eagle Lake for the fiscal year ending August 31, 2019.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

The most recently completed biennial actuarial valuation as of August 31, 2021 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expense.

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:

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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.

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.

V. NEW PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following statements which will become effective in future years.

In June 2018, the GASB issued Statement No. 87, *Leases*. This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for periods beginning after December 15, 2021.

The City will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

**CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

VI. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through June 24, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAGLE LAKE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive or
				(Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 649,250	\$ 649,250	\$ 681,233	\$ 31,983
Penalties and Interest	15,000	15,000	29,461	14,461
General Sales and Use Taxes	265,000	265,000	376,474	111,474
Franchise Taxes	200,000	200,000	214,585	14,585
Other Taxes	7,500	7,500	8,385	885
Licenses and Permits	18,750	18,750	29,689	10,939
Fines and forfeitures	102,340	102,340	60,257	(42,083)
Use of property	23,576	23,576	20,636	(2,940)
Miscellaneous Revenue	36,850	223,289	198,867	(24,422)
Intergovernmental Revenue	15,000	15,000	16,000	1,000
Total Revenues	<u>1,333,266</u>	<u>1,519,705</u>	<u>1,635,587</u>	<u>115,882</u>
EXPENDITURES:				
Current:				
Administrative and General				
Personnel	327,446	325,779	315,578	10,201
Maintenance	15,300	15,300	19,526	(4,226)
Supplies	7,750	7,750	9,121	(1,371)
Utilities	10,800	10,800	17,702	(6,902)
Operational Expenses	74,200	115,631	116,776	(1,145)
Special Services	48,750	48,750	19,003	29,747
	<u>484,246</u>	<u>524,010</u>	<u>497,706</u>	<u>26,304</u>
Police Department				
Personnel	710,617	708,060	746,334	(38,274)
Maintenance	33,950	108,950	108,045	905
Supplies	37,250	37,250	42,932	(5,682)
Utilities	14,128	14,128	20,956	(6,828)
Operational Expenses	48,250	176,269	64,228	112,041
	<u>844,195</u>	<u>1,044,657</u>	<u>982,495</u>	<u>62,162</u>
Fire Department				
Personnel	240	240	240	-
Maintenance	9,800	9,800	4,051	5,749
Supplies	23,250	23,250	22,475	775
Utilities	6,150	6,150	5,830	320
Operational Expenses	46,600	64,932	45,233	19,699
	<u>86,040</u>	<u>104,372</u>	<u>77,829</u>	<u>26,543</u>

CITY OF EAGLE LAKE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive or
				(Negative)
Street Department				
Personnel	\$ 270,208	\$ 270,208	\$ 189,296	\$ 80,912
Maintenance	36,700	36,400	35,535	865
Supplies	16,800	16,800	17,904	(1,104)
Operational Expenses	40,400	41,829	45,584	(3,755)
Special Services	300	300	167	133
	<u>364,408</u>	<u>365,537</u>	<u>288,486</u>	<u>77,051</u>
Parks and Recreation Department				
Personnel	71,627	71,385	66,543	4,842
Maintenance	12,250	12,250	6,573	5,677
Supplies	7,700	7,700	7,042	658
Utilities	17,400	17,400	17,565	(165)
Operational Expenses	7,900	9,329	8,341	988
Special Services	11,000	11,000	7,718	3,282
	<u>127,877</u>	<u>129,064</u>	<u>113,782</u>	<u>15,282</u>
Capital Outlay	22,000	22,000	-	22,000
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,928,766</u>	<u>2,189,640</u>	<u>1,960,298</u>	<u>229,342</u>
Excess (Deficiency) of Revenues over (under)				
Expenditures	(595,500)	(669,935)	(324,711)	345,224
OTHER FINANCING SOURCES (USES):				
Transfers In (Out)	<u>595,500</u>	<u>670,500</u>	<u>735,527</u>	<u>65,027</u>
Total Other Financing Sources (Uses)	<u>595,500</u>	<u>670,500</u>	<u>735,527</u>	<u>65,027</u>
Net Change	-	565	410,816	410,251
Fund Balance - October 1 (Beginning)	<u>1,550,448</u>	<u>1,550,448</u>	<u>1,550,448</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,550,448</u>	<u>\$ 1,551,013</u>	<u>\$ 1,961,264</u>	<u>\$ 410,251</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, 2021

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive or
				(Negative)
Revenues				
Interest Income	\$ 2,000	\$ 2,000	\$ 564	\$ (1,436)
Total Revenues	2,000	2,000	564	(1,436)
Expenditures				
Administrative and General	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,000	2,000	564	(1,436)
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	8,000	8,000	6,564	(1,436)
Fund Balance, Beginning of Year	379,270	379,270	379,270	-
Fund Balance, End of Year	\$ 387,270	\$ 387,270	\$ 385,834	\$ (1,436)

CITY OF EAGLE LAKE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (will ultimately be displayed)

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 164,348	\$ 160,136	\$ 146,512	\$ 157,509	\$ 162,041	\$ 157,013	\$ 124,454
Interest (on the Total Pension Liability)	329,115	314,117	310,806	290,603	276,688	258,827	232,702
Changes of benefit terms	-	9,050	-	-	-	-	-
Difference between expected and actual experience	(5,487)	(48,067)	(193,692)	61,790	(36,773)	107,090	153,135
Changes of assumptions	-	25,614	-	-	-	64,249	-
Benefit payments, including refunds of employee contributions	(227,409)	(236,021)	(224,827)	(185,369)	(201,730)	(174,555)	(132,157)
Net change in total pension liability	260,567	224,829	38,799	324,533	200,226	412,624	378,134
Total pension liability - beginning	\$ 4,907,314	\$ 4,682,485	\$ 4,643,686	\$ 4,319,153	\$ 4,118,927	\$ 3,706,303	\$ 3,328,169
Total pension liability - ending (a)	<u>\$ 5,167,881</u>	<u>\$ 4,907,314</u>	<u>\$ 4,682,485</u>	<u>\$ 4,643,686</u>	<u>\$ 4,319,153</u>	<u>\$ 4,118,927</u>	<u>\$ 3,706,303</u>
Plan fiduciary net position							
Contributions - employer	\$ 118,265	\$ 103,978	\$ 101,379	\$ 110,665	\$ 99,141	\$ 85,074	\$ 68,518
Contributions - employee	70,819	67,049	67,362	72,252	73,711	72,301	66,201
Net investment income	364,517	652,216	(132,271)	538,170	247,842	5,437	199,357
Benefit payments, including refunds of employee contributions	(227,409)	(236,021)	(224,826)	(185,369)	(201,730)	(174,555)	(132,157)
Administrative expense	(2,363)	(3,692)	(2,558)	(2,791)	(2,801)	(3,311)	(2,081)
Other	(91)	(111)	(134)	(141)	(151)	(165)	(171)
Net change in plan fiduciary net position	\$ 323,738	\$ 583,419	\$ (191,048)	\$ 532,786	\$ 216,012	\$ (15,219)	\$ 199,667
Plan fiduciary net position - beginning	4,810,413	4,226,994	4,418,042	3,885,256	3,669,244	3,684,463	3,484,796
Plan fiduciary net position - ending(b)	<u>\$ 5,134,151</u>	<u>\$ 4,810,413</u>	<u>\$ 4,226,994</u>	<u>\$ 4,418,042</u>	<u>\$ 3,885,256</u>	<u>\$ 3,669,244</u>	<u>\$ 3,684,463</u>
Net pension liability (a) - (b)	<u>\$ 33,730</u>	<u>\$ 96,901</u>	<u>\$ 455,491</u>	<u>\$ 225,644</u>	<u>\$ 433,897</u>	<u>\$ 449,683</u>	<u>\$ 21,840</u>
Plan fiduciary net position as a percentage of the total pension liability	99.35%	98.03%	90.27%	95.14%	89.95%	89.08%	99.41%
Covered employee payroll	\$ 1,154,943	\$ 1,117,488	\$ 1,122,698	\$ 1,204,199	\$ 1,228,517	\$ 1,205,012	\$ 1,103,349
Net pension liability as a percentage of covered employee payroll	2.92%	8.67%	40.57%	18.74%	35.32%	37.32%	1.98%

CITY OF EAGLE LAKE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (will ultimately be displayed)

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 118,265	\$ 103,978	\$ 101,379	\$ 110,665	\$ 99,141	\$ 85,074	\$ 68,518
Contributions in relation to the actuarially determined contribution	(118,265)	(103,978)	(101,379)	(110,665)	(99,141)	(85,074)	(68,518)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,154,943	\$ 1,117,488	\$ 1,122,698	\$ 1,204,199	\$ 1,228,517	\$ 1,205,012	\$ 1,103,349
Contributions as a percentage of covered payroll	10.24%	9.30%	9.03%	9.19%	8.07%	7.06%	6.21%

NOTES TO SCHEDULE OF CONTRIBUTIONS:

Valuation Date:
Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee tabel used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes Adopted 5 year vesting.

CITY OF EAGLE LAKE, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (will ultimately be displayed)

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
City's proportion of the net pension liability (asset)	0.0000000	0.0000000	0.0000000	0.0000000
City's proportionate share of the net pension liability (asset)	\$ 105,264	\$ 82,053	\$ 68,024	\$ 68,699
State's proportionate share of the net pension liability (asset) associated with the City	-	-	-	-
Total	<u>\$ 105,264</u>	<u>\$ 82,053</u>	<u>\$ 68,024</u>	<u>\$ 68,699</u>
City's covered-employee payroll	\$ 1,154,943	\$ 1,117,488	\$ 1,122,698	\$ 1,204,199
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.11%	7.34%	6.06%	5.70%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%

CITY OF EAGLE LAKE, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS-OPEB
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (will ultimately be displayed)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 4,504	\$ 3,464	\$ 2,807	\$ 2,890	\$ 2,580
Contributions in relation to the contractually required contribution	<u>(4,504)</u>	<u>(3,464)</u>	<u>(2,807)</u>	<u>(2,890)</u>	<u>(2,580)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,154,943	\$ 1,117,488	\$ 1,122,698	\$ 1,204,199	\$ 1,228,517
Contributions as a percentage of covered-employee payroll	0.39%	0.31%	0.25%	0.24%	0.21%

CITY OF EAGLE LAKE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to the end of the current fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended at department and fund level only by approval of a majority of the members of the City Council. Amendments are presented to the Council at its regular meetings.

Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/department level. Budgeted amounts are as amended by the City Council. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

This page left blank intentionally.

COMBINING AND INDIVIDUAL FUND SCHEDULES

CITY OF EAGLE LAKE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Airport	Chapter 59 Seizures	TDHCA Home	Total Nonmajor Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 146,980	\$ 4,666	\$ -	\$ 151,646
Total Assets	<u>\$ 146,980</u>	<u>\$ 4,666</u>	<u>\$ -</u>	<u>\$ 151,646</u>
Liabilities				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Restricted Fund Balances:				
Other Restrictions of Fund Balance	-	4,666	-	4,666
Unassigned	<u>146,980</u>	<u>-</u>	<u>-</u>	<u>146,980</u>
Total Fund Balances	<u>146,980</u>	<u>4,666</u>	<u>-</u>	<u>151,646</u>
Total Liabilities and Fund Balances	<u>\$ 146,980</u>	<u>\$ 4,666</u>	<u>\$ -</u>	<u>\$ 151,646</u>

CITY OF EAGLE LAKE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Airport	Chapter 59 Seizures	TDHCA Home	Total Nonmajor Governmental Funds
Revenues				
Use of Property	\$ 81,567	\$ -	\$ -	\$ 81,567
Grant Revenue	30,000	-	-	30,000
Miscellaneous	10,592	-	-	10,592
Total Revenues	122,159	-	-	122,159
Expenditures				
General Government	87,694	-	-	87,694
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	87,694	-	-	87,694
Excess of Revenues Over Expenditures	34,465	-	-	34,465
Other Financing Sources (Uses)				
Transfers In (Out)	(17,000)	-	-	(17,000)
Total Other Financing Sources (Uses)	(17,000)	-	-	(17,000)
Net Change in Fund Balance	17,465	-	-	17,465
Fund Balance, Beginning of Year	129,515	4,666	-	134,181
Fund Balance, End of Year	\$ 146,980	\$ 4,666	\$ -	\$ 151,646

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, 2021

	Airport			Chapter 59 Seizures		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
Revenues						
Use of Property	\$ 65,600	\$ 81,567	\$ 15,967	\$ -	\$ -	\$ -
Grant Revenue	-	30,000	30,000	-	-	-
Miscellaneous	116,600	10,592	(106,008)	200	-	(200)
Total Revenues	182,200	122,159	(60,041)	200	-	(200)
Expenditures						
Airport Maintenance	182,200	87,694	94,506	-	-	-
Miscellaneous	-	-	-	200	-	200
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	182,200	87,694	94,506	200	-	200
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	34,465	34,465	-	-	-
Other Financing Sources (Uses)						
Transfers In (Out)	-	(17,000)	17,000	-	-	-
Total Other Financing Sources (Uses)	-	(17,000)	17,000	-	-	-
Net Change in Fund Balance	-	17,465	17,465	-	-	-
Fund Balance, Beginning of Year	129,515	129,515	-	4,666	4,666	-
Fund Balance, End of Year	\$129,515	\$146,980	\$ 17,465	\$ 4,666	\$ 4,666	\$ -

TDHCA Home Program			Total Nonmajor Governmental Funds		
Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ 65,600	\$ 81,567	\$ 15,967
487,000	-	(487,000)	487,000	30,000	(457,000)
-	-	-	116,800	10,592	(106,208)
487,000	-	(487,000)	669,400	122,159	(547,241)
-	-	-	-	-	-
-	-	-	182,200	87,694	94,506
504,000	-	504,000	504,200	-	504,200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
504,000	-	504,000	686,400	87,694	598,706
(17,000)	-	17,000	(17,000)	34,465	51,465
17,000	-	(17,000)	17,000	(17,000)	(34,000)
17,000	-	(17,000)	17,000	(17,000)	(34,000)
-	-	-	-	17,465	17,465
-	-	-	134,181	134,181	-
\$ -	\$ -	\$ -	\$134,181	\$151,646	\$ 17,465

CITY OF EAGLE LAKE, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original and Final Budget	Actual	Variance
Revenues			
Ad valorem Taxes	\$ 185,000	\$ 198,415	\$ 13,415
Penalty and Interest	10,253	10,141	(112)
Interest Income	-	-	-
Total Revenues	195,253	208,556	13,303
Expenditures			
Administrative and General			
Debt Service:			
Principal	185,000	185,000	-
Interest and fees	41,566	10,304	31,262
Total Expenditures	226,566	195,304	31,262
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,313)	13,252	44,565
Other Financing Sources (Uses)			
Transfers In (Out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(31,313)	13,252	44,565
Fund Balance, Beginning of Year	84,749	84,749	-
Fund Balance, End of Year	\$ 53,436	\$ 98,001	\$ 44,565

INTERNAL CONTROL AND COMPLIANCE

This page left blank intentionally.



TRLICEK & CO., P.C.

Certified Public Accountants

113 W. Colorado St.

P.O. Box 817

La Grange, TX 78945

(979) 533-0925

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

The Honorable Mayor
Members of the City Council
City of Eagle Lake, Texas:

We have audited, 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, the financial statements of the governmental activities, the business – type activities, 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Eagle Lake, Texas' basic financial statements, and have issued our report thereon dated June 24, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eagle Lake, Texas' 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*.

Purpose of this Report

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

Talbot & Co., P.C.

La Grange Texas
June 24, 2022