

CITY OF EAGLE LAKE, TEXAS
Annual Financial Report
For the Year Ended September 30, 2022

**CITY OF EAGLE LAKE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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INTRODUCTORY SECTION

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



Charles Jackson, City Manager
Lina Ferguson, City Secretary/HR
Kris Abbott, Chief of Police
Victor Shimek, Public Works Director
Stan Warfield, Municipal Court Judge
Antonio Rodriguez, Inspector

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

June 9, 2023

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, 2022.

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

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

The City of Eagle Lake's financial statements have been audited by Trlicek & Co., P.C., Certified Public Accountants. The independent auditor has issued an unqualified ("clean") opinion on the City of Eagle Lake's financial statements for the fiscal year ended September 30, 2022. 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, with the advice of the City Council, appointing and removing all department heads.

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

Local economy

The City's region has an economic base that includes agriculture/agribusiness (mostly rice), gravel mining, materials transporting, retail and wholesale trade, and selected services. Local indicators point to continued economic stability. The region (which includes the City, two other incorporated cities and the unincorporated area within the county) has an unemployment rate of 4.1% 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, 2022 was \$190,000.

Acknowledgements

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

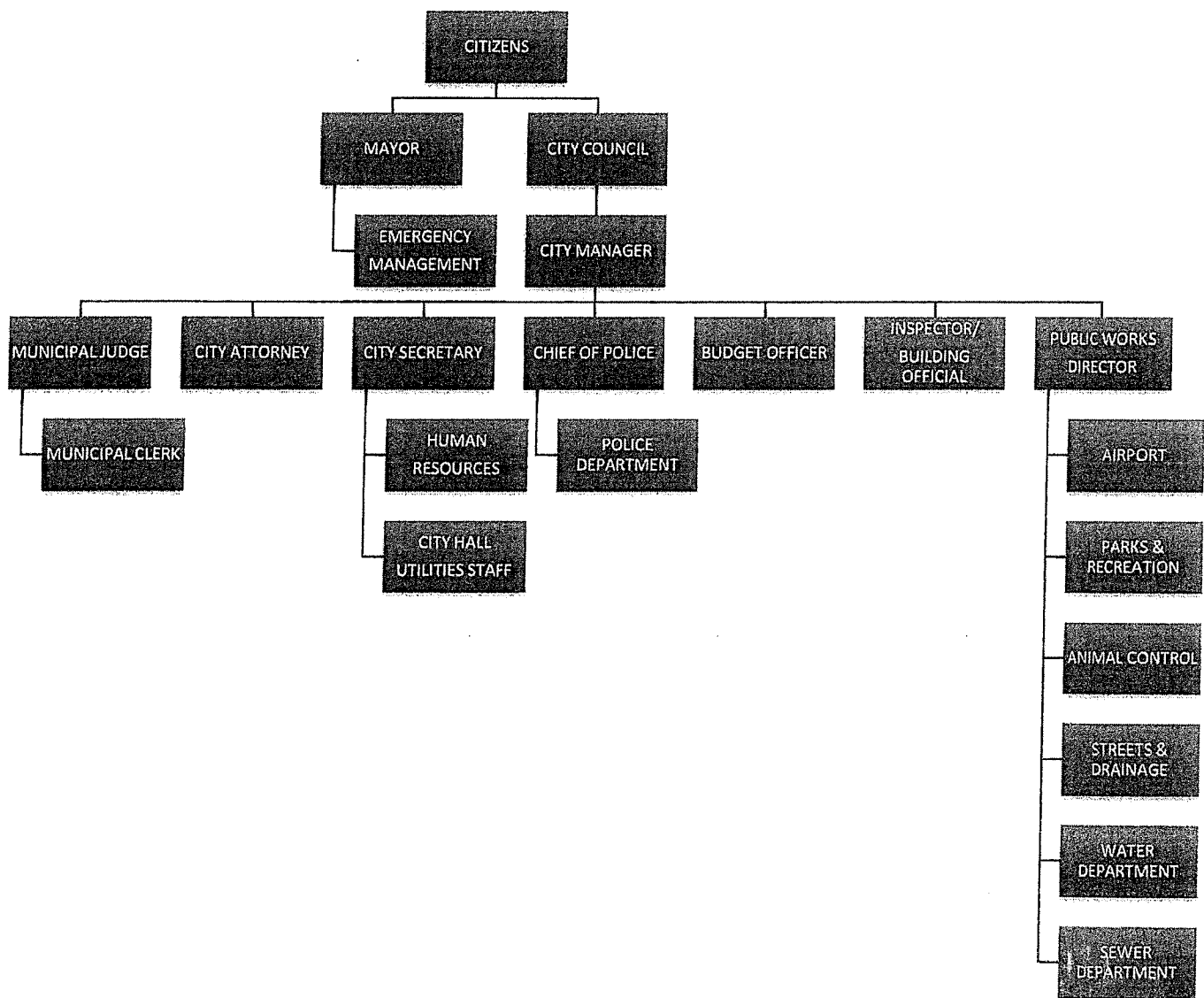
Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'C. Jackson', with a stylized flourish at the end.

Charles Jackson
City Manager

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CITY OF EAGLE LAKE
FISCAL YEAR 2021-2022 ORGANIZATIONAL CHART



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**CITY OF EAGLE LAKE, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2022**

<u>Title</u>	<u>Name</u>
<u>Elected Officials</u>	
Mayor	Timothy Kelley
Alderwoman	Rene' Cooper (1)
Alderwoman	GayeLynn Thomas
Alderman	Michael Cooper
Alderman	Larry Contreras
Alderman	Amy Maxwell
<u>Appointed Officials</u>	
City Manager	Charles Jackson
City Secretary	Lina Ferguson
Chief of Police	Kris Abbott
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	Vacant
(1) Mayor Pro-tem	

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FINANCIAL SECTION

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TRLICEK & CO., P.C.

Certified Public Accountants

113 W. Colorado St.

P.O. Box 817

La Grange, TX 78945

(979) 533-0925

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Eagle Lake, Texas

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Other Information

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

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

Tallich & Co., P.C.

La Grange, Texas
June 9, 2023

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**CITY OF EAGLE LAKE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022. 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 \$9,724,107 (net position). Of this amount, \$4,273,907 (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 \$1,354,992. Net position of governmental activities increased \$1,417,294 while business-type activities decreased \$62,302. 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 \$3,636,367, an increase of \$1,039,622 in comparison with the prior year. Approximately 62% of this total amount, \$2,263,541, 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 \$1,712,570 or 83% of total general fund expenditures.
- The City of Eagle Lake's total debt decreased by \$190,000 (50%) during the current fiscal year. Principal payments of \$190,000 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 \$9,724,107 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 (40%) 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, 2022

Table 1

	Governmental activities		Business-type activities		Total	
ASSETS	2022	2021	2022	2021	2022	2021
Current and other assets	\$3,869,052	\$2,797,750	\$2,309,516	\$2,653,776	\$6,178,568	\$5,451,526
Capital assets	2,004,242	1,938,916	2,091,960	2,215,188	4,096,202	4,154,104
Deferred outflows	374,957	106,600	-	-	374,957	106,600
Total assets	<u>6,248,251</u>	<u>4,843,266</u>	<u>4,401,476</u>	<u>4,868,964</u>	<u>10,649,727</u>	<u>9,712,230</u>
LIABILITIES						
Current and other liabilities	34,978	27,244	197,173	927,794	232,151	955,038
Long-term liabilities	323,777	535,282	28,626	24,906	352,403	560,188
Deferred inflows	341,066	149,604	-	-	341,066	149,604
Total liabilities	<u>699,821</u>	<u>712,130</u>	<u>225,799</u>	<u>952,700</u>	<u>925,620</u>	<u>1,664,830</u>
NET POSITION						
Net Investment in						
Capital Assets	1,814,242	1,558,916	2,091,960	2,215,188	3,906,202	3,774,104
Restricted	1,372,826	602,894	171,172	1,369	1,543,998	604,263
Unrestricted	<u>2,361,362</u>	<u>1,834,400</u>	<u>1,912,545</u>	<u>1,850,421</u>	<u>4,273,907</u>	<u>3,684,821</u>
Total net position	<u>\$5,548,430</u>	<u>\$3,996,210</u>	<u>\$4,175,677</u>	<u>\$4,066,978</u>	<u>\$9,724,107</u>	<u>\$8,063,188</u>

An additional portion of the City of Eagle Lake's net position (15.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$4,273,907 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 \$1,354,992 during the current fiscal year. This increase was the result of an increase from governmental activities of \$1,417,294 and a decrease of \$62,302 from business-type activities. These changes are addressed in the following pages.

Governmental activities. Governmental activities increased the City's net position by \$1,417,294, as reflected below in Table 2 (after transfers in). Before transfers in, net position increased by \$921,370.

Condensed Statement of Activities
September 30, 2022

Table 2

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ -	\$ -	\$ 2,110,844	\$ 1,987,305	\$ 2,110,844	\$ 1,987,305
Operating grants and contributions	958,412	46,000	44,842	208,394	1,003,254	254,394
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	938,150	904,397	-	-	938,150	904,397
Other non-property taxes	323,487	222,970	-	-	323,487	222,970
Sales taxes	395,739	376,474	-	-	395,739	376,474
Other revenues	320,215	402,172	6,387	2,847	326,602	405,019
Total revenues	<u>2,936,003</u>	<u>1,952,013</u>	<u>2,162,073</u>	<u>2,198,546</u>	<u>5,098,076</u>	<u>4,150,559</u>
Expenses						
General government	426,524	470,924	-	-	426,524	470,924
Public safety	907,187	1,111,644	-	-	907,187	1,111,644
Streets	348,063	351,259	-	-	348,063	351,259
Airport	115,486	60,056	-	-	115,486	60,056
Parks and recreation	211,188	152,781	-	-	211,188	152,781
Interest on long-term debt	6,185	10,304	-	-	6,185	10,304
Water	-	-	691,586	571,144	691,586	571,144
Sewer	-	-	675,787	567,678	675,787	567,678
Garbage	-	-	361,078	360,129	361,078	360,129
Amortization expense	-	-	-	-	-	-
Total expenses	<u>2,014,633</u>	<u>2,156,968</u>	<u>1,728,451</u>	<u>1,498,951</u>	<u>3,743,084</u>	<u>3,655,919</u>
Excess (deficiency) of revenues over expenses before transfers	921,370	(204,955)	433,622	699,595	1,354,992	494,640
Transfers in (out)	<u>495,924</u>	<u>724,527</u>	<u>(495,924)</u>	<u>(724,527)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,417,294	519,572	(62,302)	(24,932)	1,354,992	494,640
Net Position - October 1 (Beginning)	<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>
Net Position - September 30 (Ending)	<u>\$ 5,548,430</u>	<u>\$ 4,131,136</u>	<u>\$ 4,175,677</u>	<u>\$ 4,237,979</u>	<u>\$ 9,724,107</u>	<u>\$ 8,369,115</u>

Business-type activities. Business-type activities decreased the City's net position by \$62,302 (after transfers). Before transfers, business-type activities increased the City's net position by \$433,622.

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 \$3,636,367 an increase of \$1,039,622 from the prior year. \$2,263,541 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 to indicate that it is not available for new spending because it has already been committed to debt service \$132,921 or for a variety of other restricted purposes \$1,239,905.

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 \$1,712,570 while total fund balance reached \$2,947,809. 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 83% of total general fund expenditures, while total fund balance represents 143% of that same amount.

The fund balance of the City of Eagle Lake's general fund increased by \$986,545 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 \$132,921, 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 \$34,920, which was \$29,405 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 \$1,912,545. Net position for the Utility Fund reflected an increase of \$415,342 before transfers of \$504,899. 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, 2022, amounts to \$4,096,203 (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 1.39% (a 3.37% increase for governmental activities and a 5.56% decrease 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 653,894	\$ 653,894	\$ 8,315	\$ 8,315	\$ 662,209	\$ 662,209
Buildings	616,806	448,446	-	-	616,806	448,446
Improvements	568,157	552,174	1,835,681	1,840,822	2,403,838	2,392,996
Machinery and equipment	52,634	74,018	184,325	278,294	236,959	352,312
Vehicles	112,751	-	63,640	87,757	176,391	87,757
Construction in progress	-	210,384	-	-	-	210,384
Total	<u>\$ 2,004,242</u>	<u>\$1,938,916</u>	<u>\$2,091,961</u>	<u>\$2,215,188</u>	<u>\$ 4,096,203</u>	<u>\$4,154,104</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 \$190,000. This amount, \$190,000 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	
	2022	2021	2022	2021	2022	2021
2012 Limited Tax Refunding Bonds	\$ 190,000	\$ 380,000	\$ -	\$ -	\$ 190,000	\$ 380,000
Total	<u>\$ 190,000</u>	<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 380,000</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 II 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). This compares favorably 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 (31%).
- 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 2023 fiscal year.

The General Fund budget for 2023 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, 2022

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,637,128	\$ 2,292,033	\$ 3,929,161
Investments-Current	-	49,608	49,608
Receivables (net, where applicable of allowance for uncollectible)	274,914	307,103	582,017
Internal Balances	754,564	(754,564)	-
Inventories	-	88,924	88,924
Temporarily Restricted Assets:			
Restricted Assets-Cash	1,202,446	326,412	1,528,858
Capital Assets Not Being Depreciated	653,894	8,315	662,209
Capital Assets Net of Accumulated Depreciation	1,350,348	2,083,645	3,433,993
Total Assets	<u>\$ 5,873,294</u>	<u>\$ 4,401,476</u>	<u>\$ 10,274,770</u>
DEFERRED OUTFLOW OF RESOURCES			
Net Pension Asset	\$ 250,781	\$ -	\$ 250,781
Deferred Outflow Related to Pensions	103,639		
Deferred Outflow Related to OPEB	20,537	-	20,537
Total Deferred Outflow of Resources	<u>\$ 374,957</u>	<u>\$ -</u>	<u>\$ 271,318</u>
LIABILITIES			
Accounts Payable	\$ 33,783	\$ 41,933	\$ 75,716
Matured Bonds and Coupons Payable	1,195	-	1,195
Payable From Restricted Assets	-	155,240	155,240
Noncurrent Liabilities:			
Net Pension Liability	-	-	-
Other Post-Employment Benefits Liability	118,203	-	118,203
Due Within One Year	205,574	28,626	234,200
Total Liabilities	<u>358,755</u>	<u>225,799</u>	<u>584,554</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to Pensions	\$ 341,066	\$ -	\$ 341,066
Deferred Inflow Related to OPEB	-	-	-
Total Deferred Inflow of Resources	<u>341,066</u>	<u>-</u>	<u>341,066</u>
NET POSITION			
Net Investment in Capital Assets	1,814,242	2,091,960	3,906,202
Restricted For:			
Retirement of Long-Term Debt	132,921	-	132,921
Law Enforcement	14,666	-	14,666
Capital Projects	125,207	148,379	273,586
Construction	22,793	22,793	45,586
American Rescue Plan	895,968	-	895,968
Fire Department	96,215	-	96,215
Other	85,056	-	85,056
Unrestricted	2,361,362	1,912,545	4,273,907
Total Net Position	<u>\$ 5,548,430</u>	<u>\$ 4,175,677</u>	<u>\$ 9,724,107</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, 2022

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		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 426,524	\$ -	\$ 942,412	\$ -	\$ 515,888	\$ -	\$ 515,888
Police	793,831	-	-	-	(793,831)	-	(793,831)
Fire	113,356	-	16,000	-	(97,356)	-	(97,356)
Streets	348,063	-	-	-	(348,063)	-	(348,063)
Airport	115,486	-	-	-	(115,486)	-	(115,486)
Parks and Recreation	211,188	-	-	-	(211,188)	-	(211,188)
Interest on Long-Term Debt	6,185	-	-	-	(6,185)	-	(6,185)
Total Governmental Activities	2,014,633	-	958,412	-	(1,056,221)	-	(1,056,221)
Business-Type Activities							
Water	691,586	881,267	44,842	-	-	234,523	234,523
Sewer	675,787	812,614	-	-	-	136,827	136,827
Garbage	361,078	416,963	-	-	-	55,885	55,885
Total Business-Type Activities	1,728,451	2,110,844	44,842	-	-	427,235	427,235
Total Primary Government	<u>\$ 3,743,084</u>	<u>\$ 2,110,844</u>	<u>\$1,003,254</u>	<u>\$ -</u>	(1,056,221)	427,235	(628,986)
General Revenues:							
Property Taxes					938,150	-	938,150
Other Non-Property Taxes					323,487	-	323,487
Sales Taxes					395,739	-	395,739
Miscellaneous					320,215	-	320,215
Unrestricted Investment Earnings					-	6,387	6,387
Transfers					495,924	(495,924)	-
Total General Revenues and Transfers					2,473,515	(489,537)	1,983,978
Change in Net Assets					1,417,294	(62,302)	1,354,992
Net Position - Beginning (as restated)					4,131,136	4,237,979	8,369,115
Net Position - Ending					<u>\$ 5,548,430</u>	<u>\$ 4,175,677</u>	<u>\$ 9,724,107</u>

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

CITY OF EAGLE LAKE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2022

		Special Revenue	
	General	Contingency	Debt Service
ASSETS			
Cash and Cash Equivalents	\$ 952,720	\$ 392,305	\$ 132,862
Cash - Restricted	1,202,446	-	-
Receivables (Net of Allowance for Uncollectibles)	222,204	-	52,710
Due From Other Funds	755,139	-	-
Total Assets	<u>\$ 3,132,509</u>	<u>\$ 392,305</u>	<u>\$ 185,572</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	33,783	-	-
Due to Other Funds	4,666	-	-
Matured Bonds and Coupons	-	-	1,195
Deferred Revenues	146,251	-	51,456
Total Liabilities	<u>184,700</u>	<u>-</u>	<u>52,651</u>
Fund Balances:			
Restricted Fund Balances:			
Retirement of Long-Term Debt	-	-	132,921
Construction	22,793	-	-
Law Enforcement	10,000	-	-
Capital Projects	125,207	-	-
American Rescue Plan	895,968	-	-
Fire Department	96,215	-	-
Other	85,056	-	-
Unassigned	1,712,570	392,305	-
Total Fund Balances	<u>2,947,809</u>	<u>392,305</u>	<u>132,921</u>
Total Liabilities and Fund Balances	<u>\$ 3,132,509</u>	<u>\$ 392,305</u>	<u>\$ 185,572</u>

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

Other Governmental	Total Governmental Funds
\$ 159,241	\$ 1,637,128
-	1,202,446
-	274,914
4,666	759,805
<u>\$ 163,907</u>	<u>\$ 3,874,293</u>

-	33,783
575	5,241
-	1,195
-	197,707
<u>575</u>	<u>237,926</u>

-	132,921
-	22,793
4,666	14,666
-	125,207
-	895,968
-	96,215
-	85,056
158,666	2,263,541
<u>163,332</u>	<u>3,636,367</u>
<u>\$ 163,907</u>	<u>\$ 3,874,293</u>

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CITY OF EAGLE LAKE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$ 3,636,367
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	2,004,242
Deferred property taxes are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	197,707
Recognition of the City's proportionate share of the net pension liability is not reported in governmental funds.	250,781
Recognition of the City's proportionate share of the OPEB liability is not reported in governmental funds.	(118,203)
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	(190,000)
Compensated absences	(15,574)
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	103,639
Deferred outflows of resources related to OPEB	20,537
Deferred inflows of resources related to pensions	(341,066)
Net Position of Governmental Activities	<u>\$ 5,548,430</u>

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, 2022

		Special Revenue	
	General	Contingency	Debt Service
REVENUES:			
Ad Valorem Taxes	\$ 680,916	\$ -	\$ 233,288
Non-Property Taxes	719,226	-	-
Licenses and Permits	47,579	-	-
Fines and Forfeitures	61,843	-	-
Use of Property	34,145	-	-
Miscellaneous Revenue	60,569	471	-
Grant Revenue	942,412	-	-
Intergovernmental Revenue	16,000	-	-
Total Revenues	<u>2,562,690</u>	<u>471</u>	<u>233,288</u>
EXPENDITURES:			
Current:			
Administrative and General	474,670	-	-
Police Department	771,479	-	-
Fire Department	87,293	-	-
Streets and Drainage	288,844	-	-
Parks and Recreation	174,444	-	-
Debt Service:			
Principal	-	-	190,000
Interest	-	-	6,185
Capital Outlay	271,522	-	-
Total Expenditures	<u>2,068,252</u>	<u>-</u>	<u>196,185</u>
Excess (Deficiency) of Revenues over (under)			
Expenditures	<u>494,438</u>	<u>471</u>	<u>37,103</u>
OTHER FINANCING SOURCES (USES):			
Transfers In (Out)	492,107	6,000	(2,183)
Total Other Financing Sources (Uses)	<u>492,107</u>	<u>6,000</u>	<u>(2,183)</u>
Net Change	986,545	6,471	34,920
Fund Balance - October 1 (Beginning)	<u>1,961,264</u>	<u>385,834</u>	<u>98,001</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,947,809</u>	<u>\$ 392,305</u>	<u>\$ 132,921</u>

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

Other Governmental	Total Governmental Funds
\$ -	\$ 914,204
-	719,226
-	47,579
-	61,843
96,367	130,512
19,241	80,281
-	942,412
-	16,000
<u>115,608</u>	<u>2,912,057</u>

58,823	533,493
-	771,479
-	87,293
-	288,844
-	174,444
-	190,000
-	6,185
45,099	316,621
<u>103,922</u>	<u>2,368,359</u>
<u>11,686</u>	<u>543,698</u>

-	495,924
-	495,924
11,686	1,039,622
151,646	2,596,745
<u>\$ 163,332</u>	<u>\$ 3,636,367</u>

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CITY OF EAGLE LAKE, TEXAS

***RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022***

Total Net Change in Fund Balances - Governmental Funds **\$ 1,039,622**

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	271,522
Depreciation	(206,196)

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

Deferred Tax Revenue	23,946
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Payments on Certificates of Obligation	190,000
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Recognition of the City's proportionate share of the net pension expense is not reported in governmental funds.	110,101
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Recognition of the City's proportionate share of the net OPEB expense is not reported in governmental funds.	(12,415)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	<u>714</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 1,417,294</u></u>
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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, 2022

	Business-Type Activities -	
	Utility Fund	Community Development Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,292,033	\$ -
Investments	49,608	-
Restricted cash and cash equivalents	326,412	-
Accounts receivable-net of uncollectible allowance	296,803	10,300
Inventories	88,924	-
Total Current Assets	<u>3,053,780</u>	<u>10,300</u>
Noncurrent Assets:		
Capital assets:		
Land	8,315	-
Buildings and system	110,052	-
Improvements other than buildings	9,040,048	717,876
Machinery and equipment	2,210,777	-
Vehicles	389,464	-
	<u>11,758,656</u>	<u>717,876</u>
Accumulated depreciation - capital assets	<u>(10,292,408)</u>	<u>(92,164)</u>
Total Noncurrent Assets	<u>1,466,248</u>	<u>625,712</u>
Total Assets	<u>\$ 4,520,028</u>	<u>\$ 636,012</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, 2022

	Business-Type Activities -	
	Utility Fund	Community Development Fund
LIABILITIES		
Current Liabilities:		
Accounts payable	31,633	10,300
Due to other funds	754,564	-
Compensated absences	28,626	-
Customer deposits payable	155,240	-
Matured coupons payable	-	-
Capital leases payable - current	-	-
Total Current Liabilities	<u>970,063</u>	<u>10,300</u>
Noncurrent Liabilities		
Capital leases payable	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>970,063</u>	<u>10,300</u>
NET POSITION		
Net investment in capital assets	1,466,248	625,712
Restricted for:		
Construction	22,793	-
Capital outlay	148,379	-
Unrestricted	1,912,545	-
Total Net Position	<u>\$ 3,549,965</u>	<u>\$ 625,712</u>

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities -	
	Utility Fund	Community Development Fund
OPERATING REVENUES:		
Water sales	\$ 855,467	\$ -
Sewer charges	797,828	-
Garbage fees	416,963	-
Late payment penalties	25,800	-
Grant revenue	-	44,842
Miscellaneous	14,786	-
Total Operating Revenues	2,110,844	44,842
OPERATING EXPENSES:		
Personnel	411,897	-
Maintenance and operations	1,034,265	-
Depreciation	255,727	26,562
Total Operating Expenses	1,701,889	26,562
Operating Income	408,955	18,280
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	6,387	-
Total Non-Operating Revenue (Expenses)	6,387	-
Income Before Transfers	415,342	18,280
Transfers In (Out)	(504,899)	8,975
Change in Net Position	(89,557)	27,255
Total Net Position - October 1 (Beginning)	3,639,522	598,457
Total Net Position - September 30 (Ending)	\$ 3,549,965	\$ 625,712

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, 2022

	Business-Type Activities -	
	Utility Fund	Community Development Fund
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers and users	\$ 2,116,663	\$ -
Receipts from grants	-	44,842
Payments to suppliers	(1,047,594)	-
Payments employees	(408,177)	-
Net Cash Provided by Operating Activities	<u>660,892</u>	<u>44,842</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Transfers from (to) other funds	(504,899)	8,975
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(504,899)</u>	<u>8,975</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Purchases of capital assets	(105,244)	(53,817)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(105,244)</u>	<u>(53,817)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest received	<u>6,387</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>6,387</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	57,136	-
Cash and Cash Equivalents at Beginning of the Year:	<u>2,610,917</u>	<u>-</u>
Cash and Cash Equivalents at End of the Year:	<u><u>\$ 2,668,053</u></u>	<u><u>\$ -</u></u>
<u>Reconciliation to Total Cash and Cash Equivalents:</u>		
Cash and Cash Equivalents on Balance Sheet	\$ 2,341,641	\$ -
Restricted-Cash and Cash Equivalents on Balance Sheet	326,412	-
Total Cash and Cash Equivalents	<u><u>\$ 2,668,053</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, 2022

	Business-Type Activities -	
	Utility Fund	Community Development Fund
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income:	\$ 408,955	\$ 18,280
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities:		
Depreciation	255,727	26,562
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in account receivable	(5,819)	(10,300)
Decrease (increase) in inventories	(15,334)	-
Increase (decrease) in accounts payable	8,123	10,300
Increase (decrease) in due to other funds	-	-
Increase (decrease) in compensated absences payable	3,720	-
Increase (decrease) in matured coupons payable	(375)	-
Increase (decrease) in utility deposits	5,895	-
Net Cash Provided by Operating Activities	<u>\$ 660,892</u>	<u>\$ 44,842</u>

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

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022

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, 2022

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, 2022

G. Inventories and Prepaid Items

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

H. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances”.

I. Transactions Between Funds

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

J. Capital Assets

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

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

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

K. Compensated Absences

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

L. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Restricted Fund Balance – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or the external providers of those resources.
Committed Fund Balance – Fund balance reported as “committed” represents amounts that can be spent only for the specific purposes determined by a formal action of our City’s highest level of decision-making authority.
Assigned Fund Balance – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as “committed” or “restricted” fund balance. Our governing body may grant to an administrator within the organization the authority to assign fund balance.
Unassigned Fund Balance – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. These amounts are unconstrained in that they may be spent for any purpose.

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

M. Net 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 \$5,795,768 and the bank balance was \$5,832,066. The bank balance was covered by federal depository insurance and by collateral held in the pledging financial institutions’ trust department in the City’s name.

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

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

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

	Reported Amount/ Fair Value
Tex-Pool - Investments not subject to categorization	\$ 49,608

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022.

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	\$ -	\$ 161,952	\$ -	\$ 161,952
Sales taxes	-	72,252	-	72,252
Debt service	-	56,210	-	56,210
	-	290,414	-	290,414
Business-type activities				
Utilities	307,103	-	-	307,103
Gross receivables	307,103	290,414	-	597,517
Less: allowance for uncollectibles	-	(15,500)	-	(15,500)
Net total receivables	<u>\$ 307,103</u>	<u>\$ 274,914</u>	<u>\$ -</u>	<u>\$ 582,017</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)	\$ 146,251	\$ -
Delinquent property taxes receivable (debt service fund)	51,456	-
Special assessments not yet due (general fund)	-	-
	<u>\$ 197,707</u>	<u>\$ -</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022 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	864,278	-	(210,384)	653,894
Other capital assets:				
Buildings	1,202,183	210,384	-	1,412,567
Improvements	5,022,206	123,583	-	5,145,789
Machinery and equipment	1,595,493	7,000	-	1,602,493
Vehicles	855,502	140,939	-	996,441
Total other capital assets at historical cost	8,675,384	481,906	-	9,157,290
Less accumulated depreciation for:				
Buildings	(753,737)	(42,024)	-	(795,761)
Improvements	(4,470,032)	(107,600)	-	(4,577,632)
Machinery and equipment	(1,521,475)	(28,384)	-	(1,549,859)
Vehicles	(855,502)	(28,188)	-	(883,690)
Total accumulated depreciation	(7,600,746)	(206,196)	-	(7,806,942)
Total other capital assets, net	1,074,638	275,710	-	1,350,348
Governmental activities, capital assets, net	\$ 1,938,916	\$ 275,710	\$ (210,384)	\$ 2,004,242
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 8,315	\$ -	\$ -	\$ 8,315
Construction in progress	-	-	-	-
Total capital assets not being depreciated	8,315	-	-	8,315
Other capital assets:				
Buildings	110,052	-	-	110,052
Improvements - Distribution and collection systems	9,699,434	159,062	-	9,858,496
Machinery and equipment	2,110,206	-	-	2,110,206
Vehicles	389,464	-	-	389,464
Total other capital assets at historical cost	12,309,156	159,062	-	12,468,218
Less accumulated depreciation for:				
Buildings	(110,052)	-	-	(110,052)
Improvements - Distribution and collection systems	(7,858,612)	(164,203)	-	(8,022,815)
Machinery and equipment	(1,831,912)	(93,969)	-	(1,925,881)
Vehicles	(301,707)	(24,117)	-	(325,824)
Total accumulated depreciation	(10,102,283)	(282,289)	-	(10,384,572)
Total other capital assets, net	2,206,873	(123,227)	-	2,083,646
Business-type activities, capital assets, net	\$ 2,215,188	\$ (123,227)	\$ -	\$ 2,091,961

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Governmental activities:	
General Government	\$ 5,155
Police	22,352
Fire	26,063
Streets	59,219
Airport	56,663
Parks	36,744
Total governmental activities	<u>\$ 206,196</u>
Business-type activities:	
Water	\$ 148,202
Sewer	134,087
Total business-type activities	<u>\$ 282,289</u>

D. Leases

Operating Lease. For the year ended September 30, 2022, 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:

	Governmental Activities
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, 2022 were as follows:

	Vendors	Court Costs	Other	Total Payables
Governmental activities:				
General	<u>\$ 5,790</u>	<u>\$ 9,897</u>	<u>\$ 18,096</u>	<u>\$ 33,783</u>
Business-type activities:				
Utilities	<u>\$ 41,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,933</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

F. Interfund Receivables, Payables, and Transfers

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

Due to/Due from:

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

Transfer In/Transfer Out

Fund	Transfer In	Transfer Out
Utility	\$ -	\$ 503,530
General Fund	497,530	8,975
Community Development	8,975	-
Contingency Special Revenue Fund	6,000	-
Totals	<u>\$ 512,505</u>	<u>\$ 512,505</u>

G. Long-term debt

Long-term debt payable at September 30, 2022 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	\$ 190,000	\$ 190,000
	<u>\$ 190,000</u>	<u>\$ 190,000</u>
Total long-term obligations	<u>\$ 190,000</u>	<u>\$ 190,000</u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

Long-term Debt Activity

Long-term debt activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 380,000	\$ -	(190,000)	\$ 190,000	\$ 190,000
Compensated absences	16,288	-	(714)	15,574	-
Total governmental activities	\$ 396,288	\$ -	(190,714)	\$ 205,574	\$ 190,000
Business-type activities:					
Compensated absences	\$ 24,906	\$ 3,720	\$ -	\$ 28,626	\$ -
Total business-type activities	\$ 24,906	\$ 3,720	\$ -	\$ 28,626	\$ -
Total government	\$ 421,194	\$ 3,720	(190,714)	\$ 234,200	\$ 190,000

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, 2022, 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
2023	\$ 190,000	\$ 2,062	-	-
Total government	\$ 190,000	\$ 2,062	\$ -	\$ -

H. Restricted assets

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

	September 30, 2022	September 30, 2021
Current assets:		
Restricted cash and equivalents:		
Customer deposits - Utility Fund	\$ 155,240	\$ 149,345
Construction accounts	22,793	22,770
Capital outlay accounts	148,379	148,231
Debt service accounts	-	1,369
Total	\$ 326,412	\$ 321,715

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.tmr.com.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 2021	Plan Year 2020
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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	45
Active employees	<u>23</u>
	87

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 10.23% and 10.23% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$111,082, and were equal to the required contributions.

The funding status as of December 31, 2021, 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
12/31/2021	\$ 5,723,848	\$ 5,473,067	104.58%	\$ (250,781)	\$ 1,151,107	-21.79%

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 2021 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	\$ 453,033	\$ (250,781)	\$ (832,164)

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

At September 30, 2022, the City reported a liability of (\$250,781) 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:

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City's proportionate share of the collective net pension liability	\$ (250,781)
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State's proportionate share of the net pension liability associated with the City	<u>5,723,848</u>
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Total	<u><u>\$ 5,473,067</u></u>
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The net pension liability was measured as of September 30, 2021 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, 2022, the City of Eagle Lake, Texas reported its proportionate share of the TMRS' deferred/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 24,530	
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	-	341,066
Contribution Made Subsequent to Measurement Date	79,109	-
	<u><u>\$ 103,639</u></u>	<u><u>\$ 341,066</u></u>

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

<u>Year Ended</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ (34,845)
2023	(145,471)
2024	(72,093)
2025	(64,127)
2026	-
	<u><u>\$ (316,536)</u></u>

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

At September 30, 2022, the City of Eagle Lake, Texas recognized pension expense of \$(110.101) 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, 2021 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	5
Active employees	<u>23</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 (1.84%) in measuring the 2021 net pension liability.

	1% Decrease 0.84%	Current Discount Rate 1.84%	1% Decrease 2.84%
City's proportionate share of the net OPEB liability	\$ 141,697	\$ 118,203	\$ 99,902

The net OPEB liability was measured as of December 31, 2021 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, 2021 through September 30, 2022.

CITY OF EAGLE LAKE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022, 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	\$ 2,813	\$ -
Changes in Actuarial Assumptions	13,997	-
Defferences Between Projected and Actual Investment Earnings	-	-
Contribution Made Subsequent to Measurment Date	3,727	-
	<u>\$ 20,537</u>	<u>\$ -</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
2022	\$ 6,589
2023	6,384
2024	3,623
2025	214
2026	-
	<u>\$ 16,810</u>

At September 30, 2022, the City of Eagle Lake, Texas recognized OPEB expense of \$12,415 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, 2022

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, 2022, 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, 2022, 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, 2022

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, 2022, the Part Two contributions were established by the to be 2% of the Part One contributions beginning September 1, 2022.

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, 2022 total contributions of \$21,756 were paid into TESRS by the City of Eagle Lake.

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, 2022 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, 2022 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, 2022

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, 2022.

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, 2022

VI. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through June 9, 2023, 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, 2022

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive or
				(Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 698,000	\$ 698,000	\$ 660,876	\$ (37,124)
Penalties and Interest	20,411	20,411	20,040	(371)
General Sales and Use Taxes	360,000	360,000	395,739	35,739
Franchise Taxes	240,000	240,000	315,594	75,594
Other Taxes	7,000	7,000	7,893	893
Licenses and Permits	20,500	31,000	47,579	16,579
Fines and forfeitures	109,051	109,051	61,843	(47,208)
Use of property	27,118	27,118	34,145	7,027
Miscellaneous Revenue	57,420	80,920	60,569	(20,351)
Grant Revenue	-	-	942,412	942,412
Intergovernmental Revenue	10,000	10,000	16,000	6,000
Total Revenues	1,549,500	1,583,500	2,562,690	979,190
EXPENDITURES:				
Current:				
Administrative and General				
Personnel	355,788	355,788	340,951	14,837
Maintenance	15,975	15,975	18,069	(2,094)
Supplies	7,750	7,750	8,744	(994)
Utilities	16,763	16,763	15,633	1,130
Operational Expenses	84,900	84,900	67,771	17,129
Special Services	44,750	39,750	23,502	16,248
	525,926	520,926	474,670	46,256
Police Department				
Personnel	837,006	901,006	611,968	289,038
Maintenance	41,200	34,200	43,033	(8,833)
Supplies	38,250	38,250	50,557	(12,307)
Utilities	14,699	14,699	13,800	899
Operational Expenses	58,263	58,263	52,121	6,142
	989,418	1,046,418	771,479	274,939
Fire Department				
Personnel	240	240	240	-
Maintenance	12,000	12,000	30,571	(18,571)
Supplies	30,300	30,300	28,190	2,110
Utilities	5,000	5,000	5,653	(653)
Operational Expenses	47,600	47,600	22,639	24,961
	95,140	95,140	87,293	7,847

CITY OF EAGLE LAKE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive or
				(Negative)
Street Department				
Personnel	\$ 178,131	\$ 178,131	\$ 188,478	\$ (10,347)
Maintenance	36,400	36,400	29,498	6,902
Supplies	16,700	16,700	27,257	(10,557)
Operational Expenses	42,400	42,400	43,511	(1,111)
Special Services	300	300	100	200
	<u>273,931</u>	<u>273,931</u>	<u>288,844</u>	<u>(14,913)</u>
Parks and Recreation Department				
Personnel	116,570	116,570	105,487	11,083
Maintenance	13,750	13,750	12,507	1,243
Supplies	16,100	16,100	22,963	(6,863)
Utilities	17,100	17,100	20,765	(3,665)
Operational Expenses	7,850	7,850	5,635	2,215
Special Services	12,000	12,000	7,087	4,913
	<u>183,370</u>	<u>183,370</u>	<u>174,444</u>	<u>8,926</u>
Capital Outlay	77,215	52,215	271,522	(219,307)
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,145,000</u>	<u>2,172,000</u>	<u>2,068,252</u>	<u>103,748</u>
Excess (Deficiency) of Revenues over (under)				
Expenditures	(595,500)	(588,500)	494,438	1,082,938
OTHER FINANCING SOURCES (USES):				
Transfers In (Out)	595,500	595,500	492,107	(103,393)
Total Other Financing Sources (Uses)	<u>595,500</u>	<u>595,500</u>	<u>492,107</u>	<u>(103,393)</u>
Net Change	-	7,000	986,545	979,545
Fund Balance - October 1 (Beginning)	1,961,264	1,961,264	1,961,264	-
Fund Balance - September 30 (Ending)	<u>\$ 1,961,264</u>	<u>\$ 1,968,264</u>	<u>\$ 2,947,809</u>	<u>\$ 979,545</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, 2022

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive or
				(Negative)
Revenues				
Interest Income	\$ 2,000	\$ 2,000	\$ 471	\$ (1,529)
Total Revenues	2,000	2,000	471	(1,529)
Expenditures				
Administrative and General	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,000	2,000	471	(1,529)
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	6,471	(1,529)
Fund Balance, Beginning of Year	385,834	385,834	385,834	-
Fund Balance, End of Year	\$ 393,834	\$ 393,834	\$ 392,305	\$ (1,529)

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)

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 161,385	\$ 164,348	\$ 160,136	\$ 146,512	\$ 157,509	\$ 162,041	\$ 157,013	\$ 124,454
Interest (on the Total Pension Liability)	345,687	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	52,692	(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	(254,578)	(227,409)	(236,021)	(224,827)	(185,369)	(201,730)	(174,555)	(132,157)
Net change in total pension liability	305,186	260,567	224,829	38,799	324,533	200,226	412,624	378,134
Total pension liability - beginning	\$ 5,167,881	\$ 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)	\$ 5,473,067	\$ 5,167,881	\$ 4,907,314	\$ 4,682,485	\$ 4,643,686	\$ 4,319,153	\$ 4,118,927	\$ 3,706,303
Plan fiduciary net position								
Contributions - employer	\$ 111,082	\$ 118,265	\$ 103,978	\$ 101,379	\$ 110,665	\$ 99,141	\$ 85,074	\$ 68,518
Contributions - employee	69,066	70,819	67,049	67,362	72,252	73,711	72,301	66,201
Net investment income	667,202	364,517	652,216	(132,271)	538,170	247,842	5,437	199,357
Benefit payments, including refunds of employee contributions	(254,578)	(227,409)	(236,021)	(224,826)	(185,369)	(201,730)	(174,555)	(132,157)
Administrative expense	(3,097)	(2,363)	(3,692)	(2,558)	(2,791)	(2,801)	(3,311)	(2,081)
Other	22	(91)	(111)	(134)	(141)	(151)	(165)	(171)
Net change in plan fiduciary net position	\$ 589,697	\$ 323,738	\$ 583,419	\$ (191,048)	\$ 532,786	\$ 216,012	\$ (15,219)	\$ 199,667
Plan fiduciary net position - beginning	5,134,151	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)	\$ 5,723,848	\$ 5,134,151	\$ 4,810,413	\$ 4,226,994	\$ 4,418,042	\$ 3,885,256	\$ 3,669,244	\$ 3,684,463
Net pension liability (a) - (b)	\$ (250,781)	\$ 33,730	\$ 96,901	\$ 455,491	\$ 225,644	\$ 433,897	\$ 449,683	\$ 21,840
Plan fiduciary net position as a percentage of the total pension liability	104.58%	99.35%	98.03%	90.27%	95.14%	89.95%	89.08%	99.41%
Covered employee payroll	\$ 1,151,107	\$ 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	-21.79%	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)

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 111,082	\$ 118,265	\$ 103,978	\$ 101,379	\$ 110,665	\$ 99,141	\$ 85,074	\$ 68,518
Contributions in relation to the actuarially determined contribution	(111,082)	(118,265)	(103,978)	(101,379)	(110,665)	(99,141)	(85,074)	(68,518)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,151,107	\$ 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	9.65%	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	23 years (longest amortization ladder)
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 There were no benefit changes during the year.

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 2021	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	0.0000000
City's proportionate share of the net pension liability (asset)	\$ 118,203	\$ 105,264	\$ 82,053	\$ 68,024	\$ 68,699
State's proportionate share of the net pension liability (asset) associated with the City	-	-	-	-	-
Total	<u>\$ 118,203</u>	<u>\$ 105,264</u>	<u>\$ 82,053</u>	<u>\$ 68,024</u>	<u>\$ 68,699</u>
City's covered-employee payroll	\$ 1,151,107	\$ 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	10.27%	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%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 5,065	\$ 4,504	\$ 3,464	\$ 2,807	\$ 2,890	\$ 2,580
Contributions in relation to the contractually required contribution	<u>(5,065)</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,151,107	\$ 1,154,943	\$ 1,117,488	\$ 1,122,698	\$ 1,204,199	\$ 1,228,517
Contributions as a percentage of covered-employee payroll	0.44%	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, 2022

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.

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COMBINING AND INDIVIDUAL FUND SCHEDULES

CITY OF EAGLE LAKE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Airport	Chapter 59 Seizures	TDHCA Home	Total Nonmajor Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 159,241	\$ -	\$ -	\$ 159,241
Due From Other Funds	-	4,666	-	4,666
Total Assets	<u>\$ 159,241</u>	<u>\$ 4,666</u>	<u>\$ -</u>	<u>\$ 163,907</u>
Liabilities				
Due to Other Funds	\$ 575	\$ -	\$ -	\$ 575
Total Liabilities	<u>575</u>	<u>-</u>	<u>-</u>	<u>575</u>
Fund Balance				
Restricted Fund Balances:				
Other Restrictions of Fund Balance	-	4,666	-	4,666
Unassigned	158,666	-	-	158,666
Total Fund Balances	<u>158,666</u>	<u>4,666</u>	<u>-</u>	<u>163,332</u>
Total Liabilities and Fund Balances	<u>\$ 159,241</u>	<u>\$ 4,666</u>	<u>\$ -</u>	<u>\$ 163,907</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, 2022

	Airport	Chapter 59 Seizures	TDHCA Home	Total Nonmajor Governmental Funds
Revenues				
Use of Property	\$ 96,367	\$ -	\$ -	\$ 96,367
Grant Revenue	-	-	-	-
Miscellaneous	19,241	-	-	19,241
Total Revenues	115,608	-	-	115,608
Expenditures				
General Government	58,823	-	-	58,823
Capital Outlay	45,099	-	-	45,099
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	103,922	-	-	103,922
Excess of Revenues Over Expenditures	11,686	-	-	11,686
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	11,686	-	-	11,686
Fund Balance, Beginning of Year	146,980	4,666	-	151,646
Fund Balance, End of Year	\$ 158,666	\$ 4,666	\$ -	\$ 163,332

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, 2022

	Airport			Chapter 59 Seizures		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
Revenues						
Use of Property	\$ 86,525	\$ 96,367	\$ 9,842	\$ -	\$ -	\$ -
Grant Revenue	-	-	-	-	-	-
Miscellaneous	50,000	19,241	(30,759)	200	-	(200)
Total Revenues	136,525	115,608	(20,917)	200	-	(200)
Expenditures						
Airport Maintenance	80,600	58,823	21,777	-	-	-
Miscellaneous	-	-	-	200	-	200
Capital Outlay	10,000	45,099	(35,099)	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	90,600	103,922	(13,322)	200	-	200
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,925	11,686	(34,239)	-	-	-
Other Financing Sources (Uses)						
Transfers In (Out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance	45,925	11,686	(34,239)	-	-	-
Fund Balance, Beginning of Year	146,980	146,980	-	4,666	4,666	-
Fund Balance, End of Year	\$ 192,905	\$ 158,666	\$ (34,239)	\$ 4,666	\$ 4,666	\$ -

TDHCA Home Program			Total Nonmajor Governmental Funds		
Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ 86,525	\$ 96,367	\$ 9,842
487,000	-	(487,000)	487,000	-	(487,000)
-	-	-	50,200	19,241	(30,959)
487,000	-	(487,000)	623,725	115,608	(508,117)
-	-	-	-	-	-
-	-	-	80,600	58,823	21,777
504,000	-	504,000	504,200	-	504,200
-	-	-	10,000	45,099	(35,099)
-	-	-	-	-	-
-	-	-	-	-	-
504,000	-	504,000	594,800	103,922	490,878
(17,000)	-	17,000	28,925	11,686	(17,239)
17,000	-	(17,000)	17,000	-	(17,000)
17,000	-	(17,000)	17,000	-	(17,000)
-	-	-	45,925	11,686	(34,239)
-	-	-	151,646	151,646	-
\$ -	\$ -	\$ -	\$ 197,571	\$ 163,332	\$ (34,239)

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, 2022

	Original and Final Budget	Actual	Variance
Revenues			
Ad valorem Taxes	\$ 195,500	\$ 227,650	\$ 32,150
Penalty and Interest	6,200	5,638	(562)
Total Revenues	201,700	233,288	31,588
Expenditures			
Administrative and General			
Debt Service:			
Principal	190,000	190,000	-
Interest and fees	6,185	6,185	-
Total Expenditures	196,185	196,185	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,515	37,103	31,588
Other Financing Sources (Uses)			
Transfers In (Out)	-	(2,183)	2,183
Total Other Financing Sources (Uses)	-	(2,183)	2,183
Net Change in Fund Balance	5,515	34,920	29,405
Fund Balance, Beginning of Year	98,001	98,001	-
Fund Balance, End of Year	\$ 103,516	\$ 132,921	\$ 29,405

INTERNAL CONTROL AND COMPLIANCE

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

To 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Eagle Lake, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Eagle Lake, Texas' basic financial statements, and have issued our report thereon dated June 9, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Eagle Lake, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Trick & Co., P.C.

La Grange, Texas
June 9, 2023