

CITY OF EARLY
Early, Texas

ANNUAL FINANCIAL STATEMENTS

September 30, 2021

CITY OF EARLY, TEXAS
Early, Texas

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September 30, 2021

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D. A. "Tony" Krischke, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Early
Early, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Early, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Early, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions, and the schedule of changes in total OPEB liability and related ratios on pages 36-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Early, Texas basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



Krischke CPA, PC
November 11 2021

BASIC FINANCIAL STATEMENTS

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF NET POSITION

September 30, 2021

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Early MDD	
ASSETS:					
Pooled cash and cash equivalents	\$ 45,548	\$ 27,000	\$ 72,548	\$ (493)	
Non pooled cash and cash equivalents	2,782,318	179,439	2,961,757		1,354,256
Receivables, net	1,031,199	226,593	1,257,792		125,433
Inventory		52,273	52,273		
Land held for development					753,248
Prepaid bond insurance		11,780	11,780		
Restricted assets	238,101	1,209,786	1,447,887		48,970
Net pension asset	77,839	28,846	106,685		
Capital assets, net	9,605,217	17,658,743	27,263,960		7,949
Total Assets	\$ 13,780,222	\$ 19,394,460	\$ 33,174,682	\$ 2,289,363	
DEFERRED OUTFLOWS OF RESOURCES:					
Unamortized bond refunding charges	\$	\$ 544,369	\$ 544,369	\$	
Amounts relating to pensions	67,062	28,476	95,538		
Amounts relating to other postemployment benefits	12,959	5,503	18,462		
Total Deferred Outflows of Resources	\$ 80,021	\$ 578,348	\$ 658,369	\$ -	
LIABILITIES:					
Accounts payable	\$ 132,104	\$ 66,244	\$ 198,348	\$ 44,767	
Accrued salaries	20,148		20,148		
Fees and rent received in advance		8,331	8,331		
Compensated absences	27,261	15,102	42,363		2,540
Internal balances	421,130	(421,130)			
Liabilities payable from restricted assets:					
Customer utility deposits		90,100	90,100		
Notes payable	98,549	261,064	359,613		38,227
Bonds payable	14,242	40,735	54,977		10,743
Accrued interest payable					
Noncurrent liabilities:					
Compensated absences	8,850	1,063	9,913		2,091
Other postemployment benefits liability	55,423	22,983	78,406		
Capital leases:					
Portion due or payable within one year	4,910		4,910		
Portion due or payable after one year	8,504		8,504		
Notes payable:					
Portion due or payable within one year	50,878	93,125	144,003		5,035
Portion due or payable after one year	159,538	106,016	265,554		1,044,225
Bonds payable:					
Portion due or payable within one year	236,451	63,936	300,387		
Portion due or payable after one year	2,200,000	12,305,981	14,505,981		
Total Liabilities	\$ 3,437,988	\$ 12,653,550	\$ 16,091,538	\$ 1,147,628	
DEFERRED INFLOWS OF RESOURCES:					
Amounts relating to pensions	\$ 56,186	\$ 23,859	\$ 80,045	\$	
Amounts relating to other postemployment benefits	2,348	996	3,344		
Total Deferred Inflows of Resources	\$ 58,534	\$ 24,855	\$ 83,389	\$ -	
NET POSITION:					
Invested in capital assets, net of related debt	\$ 7,056,803	\$ 6,378,714	\$ 13,435,517	\$ 7,949	
Restricted for:					
Tourism promotion	168,474		168,474		
Grant expenditures		391,502	391,502		
Other purposes	16,679		16,679		
Unrestricted	3,121,765	524,187	3,645,952		1,133,786
Total Net Position	\$ 10,363,721	\$ 7,294,403	\$ 17,658,124	\$ 1,141,735	

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government		Component Unit	
Governmental Activities	Business-type Activities	Total	Early MDD
\$ (389,807)	\$ (389,807)		
(925,444)	(925,444)		
(524,266)	(524,266)		
(412,337)	(412,337)		
(249,597)	(249,597)		
(198,511)	(198,511)		
(83,509)	(83,509)		
(12,170)	(12,170)		
<u>\$ (2,795,641)</u>	<u>\$ -</u>	<u>\$ (2,795,641)</u>	
\$ 88,191	\$ 88,191		
241,427	241,427		
38,410	38,410		
(42,836)	(42,836)		
<u>(351,229)</u>	<u>(351,229)</u>		
<u>\$ -</u>	<u>\$ (26,037)</u>	<u>\$ (26,037)</u>	
<u>\$ (2,795,641)</u>	<u>\$ (26,037)</u>	<u>\$ (2,821,678)</u>	
			<u>\$ (300,512)</u>

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF ACTIVITIES (CONT.)

September 30, 2021

	Nct (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Early MDD
CHANGE IN NET POSITION:				
Net (Expense) Revenue	\$ (2,795,641)	\$ (26,037)	\$ (2,821,678)	\$ (300,512)
General Revenues:				
Taxes:				
Ad valorem	\$ 1,288,660	\$	\$ 1,288,660	\$
Sales	2,349,797		2,349,797	624,048
Franchise	142,551		142,551	
Other	252,584		252,584	
Rental income				101,662
Interest on investments	12,429	2,603	15,032	4,402
Gain on disposal of assets	40,458	22,943	63,401	(152,546)
Miscellaneous	29,316	127,639	156,955	7,852
Transfers	319,108	(319,108)		
Total Revenue	\$ 4,434,903	\$ (165,923)	\$ 4,268,980	\$ 585,418
CHANGE IN NET POSITION	\$ 1,639,262	\$ (191,960)	\$ 1,447,302	\$ 284,906
NET POSITION - BEGINNING	<u>8,724,459</u>	<u>7,486,363</u>	<u>16,210,822</u>	<u>856,829</u>
NET POSITION - ENDING	<u>\$ 10,363,721</u>	<u>\$ 7,294,403</u>	<u>\$ 17,658,124</u>	<u>\$ 1,141,735</u>

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2021

	General Fund	Debt Service Fund	Convention & Visitors Bureau Fund	Total Governmental Funds
<u>ASSETS</u>				
ASSETS:				
Pooled cash and cash equivalents	\$ 45,548	\$	\$	\$ 45,548
Non pooled cash and cash equivalents	2,782,318			2,782,318
Property taxes receivable, net	18,236	8,193		26,429
Other taxes receivable	383,999		96,879	480,878
Other receivables	330			330
Restricted assets	16,679	112,791	108,631	238,101
TOTAL ASSETS	\$ 3,247,110	\$ 120,984	\$ 205,510	\$ 3,573,604
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 96,904	\$	\$ 35,200	\$ 132,104
Accrued salaries	20,148			20,148
Compensated absences	25,425		1,836	27,261
Internal balances	421,130			421,130
TOTAL LIABILITIES	\$ 563,607	\$ -	\$ 37,036	\$ 600,643
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	\$ 18,236	\$ 8,193	\$ -	\$ 26,429
FUND BALANCES:				
Restricted for:				
Beautification	\$ 15,257	\$	\$	\$ 15,257
Law Enforcement	1,422			1,422
Debt service		112,791		112,791
Tourism promotion			168,474	168,474
Assigned:				
Projected budgetary deficit	1,970,887			1,970,887
Unassigned	677,701			677,701
TOTAL FUND BALANCES	\$ 2,665,267	\$ 112,791	\$ 168,474	\$ 2,946,532
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,247,110	\$ 120,984	\$ 205,510	\$ 3,573,604

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION

September 30, 2021

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 2,946,532
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds balance sheet, net of accumulated depreciation and amortization of \$7,251,050.	9,605,217
Net pension asset/liability and related deferred inflows and outflows are not current financial resources and are not reported in the governmental funds balance sheet	88,714
Some of the City's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures and are reported as unavailable revenue in the governmental funds.	26,429
Revenues receivable on warrants are not current financial resources and are not reported in the governmental funds balance sheet, net of allowance for uncollected warrants of \$135,073.	523,563
Net other postemployment benefits liability and related deferred inflows and outflows are not current financial resources and are not reported in the governmental funds balance sheet	(44,811)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet.	(2,781,923)
<u>NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>\$ 10,363,721</u>

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	General Fund	Debt Service Fund	Convention & Visitors Bureau Fund	Total Governmental Funds
REVENUES:				
Ad valorem taxes	\$ 933,756	\$ 342,302	\$	\$ 1,276,058
Penalty and interest	9,168	3,434		12,602
City sales tax	2,349,797			2,349,797
Franchise taxes	142,551			142,551
Other taxes	26,749		225,835	252,584
Municipal court revenue	102,055			102,055
Fees and permits	25,850			25,850
Interest earned	11,221	660	548	12,429
Grants and contributions	113,463		25,752	139,215
Intergovernmental	134,756			134,756
Visitor and Event Center fees			9,700	9,700
Other revenue	27,071	2,244		29,315
Total Revenue	\$ 3,876,437	\$ 348,640	\$ 261,835	\$ 4,486,912
EXPENDITURES:				
General government	\$ 765,081	\$	\$	\$ 765,081
Police	991,916			991,916
Fire	696,943			696,943
Street	368,744			368,744
Parks and recreation	451,732			451,732
Debt Service:				
Principal		330,000		330,000
Interest		85,075		85,075
Bond fees		800		800
Tourism promotion			209,789	209,789
Visitor and Event Center expenses			28,272	28,272
Total Expenditures	\$ 3,274,416	\$ 415,875	\$ 238,061	\$ 3,928,352
EXCESS OF REVENUES OVER EXPENDITURES				
	\$ 602,021	\$ (67,235)	\$ 23,774	\$ 558,560
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 321,256	\$ 81,600	\$ 1,618	\$ 404,474
Transfers out	(85,366)			(85,366)
Proceeds from sale of capital assets	42,058			42,058
Total Other Financing Sources (Uses)	\$ 277,948	\$ 81,600	\$ 1,618	\$ 361,166
NET CHANGE IN FUND BALANCE				
	\$ 879,969	\$ 14,365	\$ 25,392	\$ 919,726
FUND BALANCE - BEGINNING OF YEAR				
	1,785,298	98,426	143,082	2,026,806
FUND BALANCE - END OF YEAR				
	\$ 2,665,267	\$ 112,791	\$ 168,474	\$ 2,946,532

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

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

For the Year Ended September 30, 2021

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 919,726
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The change in net position reported for governmental activities in the statement of activities is different because:

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 assets purchased, net of disposals	696,602
Depreciation and amortization expense	(511,936)

Revenues received on warrants are not current financial resources and are not reported as revenues in the governmental funds.

82,130

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

Change in accrued interest payable	2,231
Change in net pension asset/liability	17,093
Change in net other postemployment benefits liability	(4,064)

Long-term debt is reported as financing sources in governmental funds and thus contributes to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental fund but reduces the liability in the statement of net position

Repayments on long-term debt	424,746
Decrease in compensated absences.	<u>12,734</u>

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,639,262

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2021

CURRENT ASSETS:

Pooled cash and cash equivalents	\$ 27,000
Non pooled cash and cash equivalents	179,439
Accounts receivable, net	226,593
Internal balances	421,130
Inventory	52,273
Prepaid bond insurance	11,780
Total Current Assets	<u>\$ 918,215</u>

NONCURRENT ASSETS:

Restricted assets	\$ 1,209,786
Net pension asset	28,846
Capital assets, net	<u>17,658,743</u>
Total Noncurrent Assets	<u>\$ 18,897,375</u>

TOTAL ASSETS

	<u>\$ 19,815,590</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Unamortized bond refunding charges	\$ 544,369
Amounts related to pensions	28,476
Amounts related to other postemployment benefits	<u>5,503</u>
Total Deferred Outflows of Resources	<u>\$ 578,348</u>

CURRENT LIABILITIES:

Accounts payable	\$ 66,244
Compensated absences	15,102
Rent received in advance	8,331
Notes payable	93,125
Bonds payable	<u>63,936</u>
Total Current Liabilities	<u>\$ 246,738</u>

LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Customer utility deposits	\$ 90,100
Accrued interest payable	40,735
Bonds payable	<u>261,064</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 391,899</u>

NONCURRENT LIABILITIES:

Compensated absences	\$ 1,063
Net other postemployment benefits liability	22,983
Notes payable	106,016
Bonds payable	<u>12,305,981</u>
Total Noncurrent Liabilities	<u>\$ 12,436,043</u>

TOTAL LIABILITIES

	<u>\$ 13,074,680</u>
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DEFERRED INFLOWS OF RESOURCES:

Amount related to pensions	\$ 23,859
Amounts related to other postemployment benefits	996
Total Deferred Inflows of Resources	<u>\$ 24,855</u>

NET POSITION:

Invested in capital assets, net of related debt	\$ 6,378,714
Restricted for grant expenditures	391,502
Unrestricted	<u>524,187</u>
TOTAL NET POSITION	<u>\$ 7,294,403</u>

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS**

For the Year Ended September 30, 2021

OPERATING REVENUES:

Charges for services	\$ 2,377,267
Rent income	33,324
Other	127,639
Total Operating Revenues	<u>\$ 2,538,230</u>

OPERATING EXPENSES:

Personnel costs	\$ 693,668
Materials, supplies and services	641,648
Maintenance and operations	275,880
Depreciation and amortization	777,894
Contractual remittances	33,324
Support services	26,900
Other	54,948
Total Operating Expenses	<u>\$ 2,504,262</u>

OPERATING INCOME \$ 33,968

NON-OPERATING REVENUE AND EXPENSE:

Interest income	\$ 2,603
Grants and contributions	420,468
Interest expense	(351,229)
Sale of property	22,943
Other	(1,605)
Total Non-Operating Revenue and Expense	<u>\$ 93,180</u>

GAIN BEFORE TRANSFERS \$ 127,148

TRANSFERS:

Operating transfers in	\$ 10,095
Operating transfers out	(329,203)
Net Operating Transfers	<u>\$ (319,108)</u>

CHANGES IN NET POSITION (191,960)

NET POSITION - BEGINNING 7,486,363

NET POSITION - ENDING \$ 7,294,403

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 2,497,502
Cash payments to suppliers for goods and services	(1,024,300)
Cash payments to employees for services	(701,229)
Internal activity-payments to other funds	<u>20,093</u>
Net Cash From Operating Activities	<u>\$ 792,066</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Increase in customer meter deposits	\$ 6,230
Operating transfers in	10,095
Operating transfers out	<u>(329,203)</u>
Net Cash From Noncapital Financing Activities	<u>\$ (312,878)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on notes payable	\$ (90,182)
Interest paid on notes payable	(8,094)
Principal paid on bonds payable	(315,000)
Interest paid on bonds payable	(328,520)
Other bond costs	(1,605)
Grants and contributions	28,966
Proceeds from sale of property	309,498
Acquisition and construction of capital assets	<u>(57,869)</u>
Net Cash From Capital and Related Financing Activities	<u>\$ (462,806)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	\$ 2,603
Net Cash From Investing Activities	<u>\$ 2,603</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

\$ 18,985

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

1,397,240

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,416,225

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONT.)

For the Year Ended September 30, 2021

**RECONCILIATION OF OPERATING INCOME TO NET CASH
FROM OPERATING ACTIVITIES**

OPERATING INCOME	\$ 33,968
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:	
Depreciation and amortization	
Changes in assets and liabilities:	777,894
Receivables	(43,504)
Prepaid bond insurance	956
Rent received in advance	2,776
Net pension asset and deferred items	(8,924)
Accounts payable	7,444
Compensated absences	(234)
Net other postemployment benefits liability and deferred items	1,597
Internal balances	<u>20,093</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 792,066</u>

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Early, Texas (the "City") was incorporated under the provisions of the State of Texas. The City is a general law city and operates under a council-mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, utilities (water, sewer, sanitation), recreation, public improvements and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and interpretations). The more significant accounting policies established by GAAP and used by the City are discussed below.

Financial Reporting Entity

These financial statements present the City (primary government) and its component unit, the Early Municipal Development District (EMDD). As defined by GASB No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City.

EMDD is a political subdivision of the State of Texas and the City of Early and has the powers and duties given by Section 377 of the Texas Local Government Code (Act). The District was established for the purpose of developing and financing all permissible development projects prescribed by the Act. The District receives its primary funding from a local sales tax approved by the voters and rental income from properties managed by the District. The affairs of the District are managed by a Board of Directors. The Board has five members appointed by the Mayor of the City of Early, Texas with the approval of the City of Early City Council. The EMDD is reported as a component unit due to the City's power to appoint a voting majority of the Board.

Condensed statements of the discretely presented component units are shown on the Statement of Net Assets and the Statement of Activities in the separate columns titled component units.

Complete financial statements of the individual component unit can be obtained directly as follows:

Early Municipal Development District
P. O. Box 3100
Early, Texas 76802

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has not been removed from these statements. All interfund charges are charges for goods or services provided. 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.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of Presentation (cont.)

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 the governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund - 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.

Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Convention & Visitors Bureau - The Convention and Visitors Bureau is used to account for the Hotel Occupancy Tax collected by the City. These revenues must be used solely for those purposes authorized by Subchapter B, Section 351.101 of the Tax Code of the State of Texas. This law limits the use of the revenues to the promotion of tourism and the convention and hotel industry and further requires that the revenues be maintained in a separate account established for that purpose and not be commingled with other funds.

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. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Proprietary Fund - The Proprietary Fund is used to account for the provision of water, sewer, sanitation, and property management services to the residents of the City. Activities of the fund include administration, operations and maintenance of water, sewer, sanitation, and property management 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 systems debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund and through property sales and rental.

Proprietary funds distinguish operating revenue 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 fund's principal ongoing operations. Operating expenses for the proprietary funds include all cost of personnel 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.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus/Basis of Accounting (Cont.)

The government-wide statements and fund financial statements for the proprietary fund 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 noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

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 property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, 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 recognized when received.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Administrator submits to the City Council the proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds.

The Budgetary Comparison Schedule - General Fund presents a comparison of budgetary data to actual results. The general fund utilizes the cash basis for budgetary purposes. The difference between this basis and GAAP is shown in the Notes to the Budgetary Comparison Schedule - General Fund.

Cash and Investments

For the purpose of the Statement of Net Position "cash and cash equivalents" includes all demand accounts, savings accounts and certificates of deposit of the City.

Inventories

Inventories are valued at the lower of average cost or market. Inventories of the proprietary funds consist of supplies held for consumption.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Interfund Receivables and Payables

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

Transactions Between Funds

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollected accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem taxes, sales taxes and warrants. Business-type activity receivable balances are primarily from utility sales.

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. 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 is capitalized during the construction period on proprietary fund property, plant and equipment.

Assets are capitalized that have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-40 Years
Infrastructure	30-40 Years
Machinery and Equipment	3-20 Years

Compensated Absences

The liability for compensated absences reported in the government-wide and governmental fund statements consists of unpaid accumulated vacation leave. Only employees who are currently eligible to receive payments upon termination are included in the calculation of the liability.

Government-wide and Proprietary Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the City's creditors, by enabling legislation, by grantors and by other contributors.
- Unrestricted – all other net position is reported in this category.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Governmental fund balances

The City follows GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purposes.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has three items that qualify for reporting in this category. Accordingly, the items, unamortized bond refunding charges, amounts related to pensions and amounts related to other postemployment benefits, are reported on the government wide statement of position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Accordingly, the items, amounts related to pensions and amounts related to other postemployment benefits are reported on the government wide statement of position. The City has one item that qualifies for reporting in this category which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Deferred Inflows/Outflows of Resources (cont.)

Deferred outflows of resources are used to report consumptions of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net position by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

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

NOTE 2: PROPERTY TAX

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period or expected to be collected during the sixty-day period after the close of the fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

The City places its investable funds in investments authorized by Texas law (The Public Funds Investment Act-Government Code Chapter 2256) in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change. Under Texas law and City policy, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity and the quality and capability of investment management. All City funds must be invested in a manner that provides the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The objectives of the City's investment policy are safety, availability, diversification and highest rate of return. The City limits its authorized investments to certificates of deposit and joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. The Public Funds Investment Act requires the City to have independent auditors perform test procedures related to investment practices approved by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Custodial Credit Risk - City funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Government Code Chapter 2257 Collateral for Public Funds in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At September 30, 2021, \$3,280,270 of the City's deposit balances were exposed to custodial credit risk by being uninsured by FDIC but collateralized by securities held by the pledging financial institution's agent not in the City's name.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

Other Risks – The City does not have any investments exposed to credit risk, concentrations of credit risk, interest rate risk or foreign currency risk.

Cash for Cash Flows Statement

Total cash for the proprietary fund cash flows statement is as follows:

Pooled cash and cash equivalents	\$ 27,000
Non pooled cash and cash equivalents	179,439
Restricted assets	<u>1,209,786</u>
 Total	 <u>\$ 1,416,225</u>

NOTE 4: RESTRICTED ASSETS

Certain cash balances and investments are restricted by agreement or by City Council action. The following is a summary of restricted assets grouped by restriction:

	Governmental Activities	Business-type Activities
Restricted for construction	\$ 806,583	\$ 806,583
Restricted for debt service payments	112,791	313,103
Restricted for tourism promotion	108,631	
Restricted for beautification	15,257	
Restricted seizure funds	1,422	
Restricted for customer deposits	<u>90,100</u>	
Total restricted assets	<u>\$ 238,101</u>	<u>\$ 1,209,786</u>

NOTE 5: RECEIVABLES

A summary of the net receivables for the governmental activities and the business-type activities is as follows:

	Governmental Activities	Business-type Activities
Ad valorem taxes	\$ 29,365	\$
Hotel/Motel tax	96,879	
State of Texas sales taxes	383,999	
Warrants and citations	658,636	
Other	330	
Utility		242,446
 Less allowance of uncollectable accounts	 \$ 1,169,209	 \$ 242,446
Receivables, net	<u>(138,010)</u>	<u>(15,853)</u>
	<u>\$ 1,031,199</u>	<u>\$ 226,593</u>

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 346,354	\$	\$	\$ 346,354
Land use rights-casements	54,785	\$	\$	54,785
Total capital assets not being depreciated	<u>\$ 401,139</u>	<u>\$</u>	<u>\$</u>	<u>\$ 401,139</u>
Capital Assets Being Depreciated and Amortized:				
Building and improvements	\$ 3,608,624	\$ 252,972	\$	\$ 3,861,596
Infrastructure	9,231,160	155,740	\$	9,386,900
Machinery and equipment	2,549,489	289,490	(149,637)	2,689,342
Machinery under capital lease	517,290	\$	\$	517,290
Total capital assets being depreciated and amortized	<u>\$ 15,906,563</u>	<u>\$ 698,202</u>	<u>\$ (149,637)</u>	<u>\$ 16,455,128</u>
Less Accumulated Depreciation and Amortization:				
Buildings and improvements	\$ (966,169)	\$ (106,589)	\$	\$ (1,072,758)
Infrastructure	(3,448,734)	(233,336)	\$	(3,682,070)
Machinery and equipment	(1,983,726)	(161,546)	148,037	(1,997,235)
Machinery under capital lease	(488,523)	(10,464)	\$	(498,987)
Total accumulated depreciation and amortization	<u>\$ (6,887,152)</u>	<u>\$ (511,935)</u>	<u>\$ 148,037</u>	<u>\$ (7,251,050)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 9,019,411</u>	<u>\$ 186,267</u>	<u>\$ (1,600)</u>	<u>\$ 9,204,078</u>
Governmental Capital Assets, Net	<u>\$ 9,420,550</u>	<u>\$ 186,267</u>	<u>\$ (1,600)</u>	<u>\$ 9,605,217</u>
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 235,333	\$	\$	\$ 235,333
Water line easements	90,332	\$	\$	90,332
Construction in progress	77,205	33,828	\$	111,033
Total capital assets not being depreciated	<u>\$ 402,870</u>	<u>\$ 33,828</u>	<u>\$</u>	<u>\$ 436,698</u>
Capital Assets Being Depreciated and Amortized:				
Building and improvements	\$ 2,030,640	\$	\$ (304,700)	\$ 1,725,940
Infrastructure	20,510,182	\$	\$	20,510,182
Equipment	1,767,682	24,041	(14,500)	1,777,223
Machinery under capital lease	267,165	\$	\$	267,165
Total capital assets being depreciated and amortized	<u>\$ 24,575,669</u>	<u>\$ 24,041</u>	<u>\$ (319,200)</u>	<u>\$ 24,280,510</u>
Less Accumulated Depreciation and Amortization:				
Building and improvements	\$ (452,739)	\$ (43,149)	\$ 30,470	\$ (465,418)
Infrastructure	(4,980,329)	(555,738)	\$	(5,536,067)
Equipment	(661,492)	(160,351)	2,176	(819,667)
Machinery under capital lease	(218,657)	(18,656)	\$	(237,313)
Total accumulated depreciation and amortization	<u>\$ (6,313,217)</u>	<u>\$ (777,894)</u>	<u>\$ 32,646</u>	<u>\$ (7,058,465)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 18,262,452</u>	<u>\$ (753,853)</u>	<u>\$ (286,554)</u>	<u>\$ 17,222,045</u>
Business-type Activities Capital Assets, Net	<u>\$ 18,665,322</u>	<u>\$ (720,025)</u>	<u>\$ (286,554)</u>	<u>\$ 17,658,743</u>

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 6: CAPITAL ASSETS (CONT.)

Construction in progress at September 30, 2021 consists of a sewer line project still in the design stage. Total cost is expected to be \$800,000. Depreciation and amortization expense was charged to the following functions:

Governmental Activities:

General government	\$ 49,768
Police	46,090
Fire	23,813
Street	268,801
Parks and recreation	104,707
Tourism promotion	6,586
Unallocated	12,170
	<u><u>\$ 511,935</u></u>

Business-type Activities:

Water	\$ 320,368
Sewer	341,756
Sanitation	72,934
Property Management	42,836
	<u><u>\$ 777,894</u></u>

NOTE 7: LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Leases and Notes Payable:					
Certificates of obligation	\$ 1,010,000	\$	\$ (45,000)	\$ 965,000	\$ 45,000
General obligation bonds	1,775,000		(285,000)	1,490,000	290,000
Direct borrowings:					
Capital leases	18,180		(4,766)	13,414	4,910
Notes payable	289,388		(78,972)	210,416	50,878
	<u><u>\$ 3,092,568</u></u>	<u><u>\$</u></u>	<u><u>\$ (413,738)</u></u>	<u><u>\$ 2,678,830</u></u>	<u><u>\$ 390,788</u></u>
Bond premiums	91,008		(11,008)	80,000	
Total Bonds, Leases and Notes Payable	<u><u>\$ 3,183,576</u></u>	<u><u>\$</u></u>	<u><u>\$ (424,746)</u></u>	<u><u>\$ 2,758,830</u></u>	<u><u>\$ 390,788</u></u>
Compensated absences	43,495	40,248	(47,632)	36,111	27,261
Total Governmental Activities	<u><u>\$ 3,227,071</u></u>	<u><u>\$</u></u>	<u><u>\$ 40,248</u></u>	<u><u>\$ (472,378)</u></u>	<u><u>\$ 2,794,941</u></u>
					\$ 418,049
Business-type Activities:					
Bonds and Notes Payable from direct borrowing and direct placements:					
Certificates of obligation	\$ 8,055,000	\$	\$ (75,000)	\$ 7,980,000	\$ 80,000
General obligation bonds	4,535,000		(240,000)	4,295,000	245,000
Notes payable	289,323		(90,182)	199,141	93,125
	<u><u>\$ 12,879,323</u></u>	<u><u>\$</u></u>	<u><u>\$ (405,182)</u></u>	<u><u>\$ 12,474,141</u></u>	<u><u>\$ 418,125</u></u>
Bond premiums	384,844		(28,863)	355,981	
Total Bonds, Leases and Notes Payable	<u><u>\$ 13,264,167</u></u>	<u><u>\$</u></u>	<u><u>\$ (434,045)</u></u>	<u><u>\$ 12,830,122</u></u>	<u><u>\$ 418,125</u></u>
Compensated absences	16,399	22,078	(22,312)	16,165	15,102
Total Business-type Activities	<u><u>\$ 13,280,566</u></u>	<u><u>\$</u></u>	<u><u>\$ 22,078</u></u>	<u><u>\$ (456,357)</u></u>	<u><u>\$ 12,846,287</u></u>
Total Primary Government	<u><u>\$ 16,507,637</u></u>	<u><u>\$</u></u>	<u><u>\$ 62,326</u></u>	<u><u>\$ (928,735)</u></u>	<u><u>\$ 15,641,228</u></u>
					\$ 851,276

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 7: LONG TERM OBLIGATIONS (CONT.)

General obligation bonds are direct obligations issued on a pledge of the general taxing powers for the payment of debt obligations of the City. General obligation bonds require the City to set aside each year a portion of the taxes levied in a fund to pay interest and principal at maturity. The City is in compliance with this requirement. Combination tax and revenue bonds are payable from either ad valorem taxes levied, with the limits prescribed by laws, or payable from and secured by the surplus net revenues of the City's water and sewer system as provided in the ordinances authorizing their issuance.

Governmental Activities

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2021
Combination Tax and Revenue Certificates of Obligation					
Series 2017	2/15/2017	\$ 1,125,000	2.0 to 4.0%	2/15/2037	\$ 965,000
General Obligation Refunding Bonds					
Series 2019	12/5/2019	1,805,000	3.0%	2/15/2027	<u>1,490,000</u>
					<u>\$ 2,455,000</u>

The following represents the future maturities on these bonds:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 335,000	\$ 75,325	\$ 410,325
2023	350,000	65,050	415,050
2024	360,000	54,400	414,400
2025	365,000	43,525	408,525
2026	185,000	35,275	220,275
2027-2031	425,000	118,350	543,350
2032-2036	355,000	52,500	407,500
2037	80,000	1,600	81,600
Total	<u>\$ 2,455,000</u>	<u>\$ 446,025</u>	<u>\$ 2,901,025</u>

Capital leases are used to acquire equipment needed in the governmental operations of the City. A summary of the capital leases follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2021
Canon Financial Services	4/20/2018	10,829	3.00%	4/28/2023	\$ 3,606
Canon Financial Services	2/26/2020	5,908	3.00%	2/26/2025	4,126
Canon Financial Services	5/18/2020	7,603	3.00%	5/10/2025	<u>5,682</u>
					<u>\$ 13,414</u>

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 7: LONG TERM OBLIGATIONS (CONT.)

Governmental Activities (cont.)

The following represents the future maturities on these leases:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 4,910	\$ 335	\$ 5,245
2023	4,081	191	4,272
2024	2,816	94	2,910
2025	1,607	16	1,623
Total	\$ 13,414	\$ 636	\$ 14,050

Notes payable are used to finance asset acquisitions and improvements needed in the governmental operations of the City. A summary of notes payable follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2021
Citizens Bank of Las Cruces	10/2/2017	\$ 100,000	2.99%	3/30/2022	\$ 20,886
First Financial Bank NA	10/9/2018	150,000	3.97%	10/30/2023	93,592
Spirit of Texas Bank	10/8/2019	154,625	3.49%	10/25/2024	95,938
					\$ 210,416

The following represents the future maturities on these notes:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 50,878	\$ 5,301	\$ 90,415
2023	62,070	5,873	67,943
2024	64,386	3,557	67,943
2025	33,082	1,155	34,237
Total	\$ 210,416	\$ 15,886	\$ 260,538

Business-type activities

The City makes use of general obligation bonds and certificates of obligation in the business-type activities.

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2021
Combination Tax and Revenue					
Certificates of Obligation Series 2015	4/15/2015	8,365,000	0 to 2.25%	2/15/2046	\$ 7,980,000
General Obligation Refunding Bonds Series 2016	5/1/2016	4,910,000	2.0 to 4.0%	2/15/2035	4,295,000
					\$ 12,275,000

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 7: LONG TERM OBLIGATIONS (CONT.)

Business-type activities (cont.)

The following represents the future maturities on these bonds:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 325,000	\$ 323,070	\$ 648,070
2023	330,000	316,082	646,082
2024	340,000	307,524	647,524
2025	345,000	298,645	643,645
2026	355,000	289,445	644,445
2027-2031	1,975,000	1,256,332	3,231,332
2032-2036	2,395,000	875,796	3,270,796
2037-2041	2,935,000	530,659	3,465,659
2042-2046	3,275,000	187,144	3,462,144
Total	<u>\$ 12,275,000</u>	<u>\$ 4,384,697</u>	<u>\$ 16,659,697</u>

Notes payable are used to acquire equipment needed in the utility operations of the City. A summary of notes payable follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2021
Citizens Bank of Las Cruces	10/2/2017	248,223	2.99%	3/30/2022	\$ 51,844
Spirit of Texas Bank	11/12/2019	208,707	3.55%	2/28/2025	<u>\$ 147,297</u>
					<u>\$ 199,141</u>

The following represents the future maturities on these notes:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 93,125	\$ 5,151	\$ 98,276
2023	42,770	3,072	45,842
2024	44,313	1,529	45,842
2025	18,933	168	19,101
Total	<u>\$ 199,141</u>	<u>\$ 9,920</u>	<u>\$ 209,061</u>

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Early participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONT.)

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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The **retiring Member may select one of seven monthly benefit payment options**. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City include an employee deposit rate of 5%, a matching ratio (city to employee) of 1.5 to 1 and five years of participation for vesting. Employees with five years of continuous service are eligible to retire at age 60. Employees may retire at any age after 20 years of continuous service.

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

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	14
Active employees	33

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the **Entry Age Normal (EAN)** actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Early were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 3.22% and 3.59% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$56,188, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Deferred	Outflows of Resources	Deferred Liabilities
Deferred	Resources	Liabilities
Deferred	Resources	Liabilities
Deferred	Resources	Liabilities
Deferred	Resources	Liabilities

Changes in actuarial assumptions
Differences between projected and actual investment earnings
Contributions subsequent to the measurement date
Total

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

www.tms.texas.gov.

For the year ended September 30, 2021, the City recognized pension expense of \$29,624. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tms.texas.gov.

1% Increase in	1% Decrease in	Discount Rate (6.75%)	Discount Rate (7.75%)	City's net pension liability
53	(53)	\$302,663	(\$106,686)	\$447,886

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate of 5.75% or 1-percentage-point higher (7.75%).

Changes for the year:	Service cost	Interest cost	Contributions-employee	Contributions-employers-employee	Net investment income	Benefit payments, including refunds of employee contributions	Administrative expense	Other changes	Net changes	Balance 12/31/2020
\$ 127,425	\$ 127,425	\$ 183,106	\$ 47,923	\$ 46,946	\$ 72,898	\$ (123,856)	\$ (1,396)	\$ 53	\$ 24,514	\$ 2,945,489
										\$ 3,052,174
										(\$106,686)
										\$ 210,084
										\$ 2,710,891
										\$ (131,199)

Changes in the Net Pension Liability

Net Pension Liability (cont.)

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONT.)

September 30, 2021

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONT.)

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

\$42,286 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year	Net Deferred Outflows (Inflows) of Resources
2021	\$ (20,602)
2022	13,281
2023	(27,805)
2024	8,140
2025	193
Thereafter	
Total	<u>\$ (26,793)</u>

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, known as the Supplemental Death Benefits Fund (SDBF) which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members, with optional coverage for their retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an single-employer unfunded OPEB plan (i.e. no assets are accumulated) and doesn't meet the definition of a trust under GASB No. 75, Paragraph 4b. The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

Benefits Provided

The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the member'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.

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

Inactive employees currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	2
Active employees	33

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT.)

Total OPEB Liability

The City's OPEB liability of \$78,406 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.00%
Retiree's share of benefit-related costs	\$0
Administration expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis with Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the total OPEB liability

Total OPEB liability 12/31/2019	\$ 63,810
Changes for the year:	
Service cost	\$ 3,645
Interest on total OPEB liability	1,797
Difference between expected and actual experience	(313)
Changes in assumptions or other inputs	10,050
Benefit payments	(583)
Net changes	\$ 14,596
Balance 12/31/2020	\$ 78,406

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT.)

Total OPEB Liability (cont.)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability	\$94,847	\$78,406	\$65,316

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$7,593. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	3,344
Changes in assumptions or other inputs	16,224	
Contributions subsequent to the measurement date	2,238	
Total	\$ 18,462	\$ 3,344

\$2,238 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year	Net Deferred Outflows (Inflows) of Resources
2021	\$ 2,151
2022	2,151
2023	2,151
2024	1,845
2025	2,279
Thereafter	2,303
Total	\$ 12,880

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 10: INTERNAL BALANCES AND TRANSFERS

Internal balances at September 30, 2021 were composed of \$391,502 owed from General Fund to Proprietary Fund for restricted grant funds and \$29,628 owed from General Fund to Proprietary Fund for short-term cash needs.

Transfers to/from other funds during the year ended September 30, 2021 consisted of a \$298,748 transfer of land sale proceeds from Property Fund to General Fund to fund future projects and transfers of \$20,360 from Proprietary Fund to General Fund to supplement the functions of that fund. There was an \$81,600 transfer from the General Fund to the Debt Service Fund to fund debt service obligations.

NOTE 11: CONTINGENCIES AND COMMITMENTS

The City is contingently liable to the State of Texas on a Texas Capital Fund Contract entered into in 2002. The City assumed this contingent liability when it purchased the property formerly owned by Johnson Ross CMI. This contract requires that the City repay the grant to the extent there is any program income (as defined in the contract) from the property. The contract has a balance of \$144,404 at September 30, 2021. Lease income from the property is being applied monthly on the contract.

As part of the agreement to purchase water, the City of Early has a liability for payment of a portion of the principal and interest on Revenue Bonds issued by Brown County Water Improvement District #1. Payments are made monthly by the City as a debt service charge on the statement to the City for water purchases. The payments are prorated among all contracting parties who purchase treated water from Brown County Water Improvement District #1. The exact amount of the City of Early portion of the debt service is determined based on the level of water purchases for both the City and Zephyr Water System. The City of Brownwood, City of Bangs and Brookesmith Special Utility District also purchase water directly from Brown County Water Improvement District #1.

The Early Municipal Development District Board awarded \$170,000 of economic development incentives during the current and prior years that were not yet funded at September 30, 2021. One of the incentives amounting to \$90,000 is payable over several years while the remainder are expected to be paid within the coming year.

NOTE 12: RISK MANAGEMENT

The City and its component unit are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The liability, professional liability, and worker's compensation insurance coverage is provided through the purchase of commercial insurance. They retain risk on only a small deductible amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. The employee health care is also provided by commercial insurance with no risk retained by the City. Management has not been notified and is not aware of any significant claims not covered by insurance.

During the fiscal year, the COVID-19 virus outbreak created nationwide economic uncertainties that continue. The City made adjustments as necessary to continue to provide services but the overall financial impact on the City cannot be reasonably estimated at this time.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 13: UTILITY

The Utility Department was serving the following number of customers at September 30, 2021:

Water Department	1,412
Sewer Department	1,324
Sanitation Department	1,430

NOTE 14: COMPONENT UNIT DISCLOSURES

At September 30, 2021, \$1,103,581 of the Early Municipal Development District's deposit balances were exposed to custodial credit risk by being uninsured by FDIC but collateralized by securities held by the pledging financial institution's agent not in the District's name.

A summary of the receivables at September 30, 2021 is as follows:

Sales taxes	\$ 125,433
Total	<u>\$ 125,433</u>

Capital asset activity for the year ended September 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Vehicles and equipment	\$ 26,496	\$	\$	\$ 26,496
Total capital assets being depreciated	<u>\$ 26,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,496</u>
Less Accumulated Depreciation:				
Vehicles and equipment	\$ (13,248)	\$ (5,299)	\$	\$ (18,547)
Total accumulated depreciation	<u>\$ (13,248)</u>	<u>\$ (5,299)</u>	<u>\$ -</u>	<u>\$ (18,547)</u>
Total Capital Assets, Net	<u>\$ 13,248</u>	<u>\$ (5,299)</u>	<u>\$ -</u>	<u>\$ 7,949</u>

The following is a summary of changes in long-term obligations for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Notes payable	\$ 1,153,079	\$	\$ (65,592)	\$ 1,087,487	\$ 43,262
Compensated absences	4,058	3,112	(2,539)	4,631	2,540
Total	<u>\$ 1,157,137</u>	<u>\$ 3,112</u>	<u>\$ (68,131)</u>	<u>\$ 1,092,118</u>	<u>\$ 45,802</u>

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2021

NOTE 14: COMPONENT UNIT DISCLOSURES (CONT.)

Notes payable are used to finance asset acquisitions needed in the governmental operations of the District. A summary of notes payable follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2021
Southside Bank	10/15/2019	\$ 675,000	4.32%	10/15/2039	\$ 630,211
Southside Bank	3/27/2020	500,000	3.97%	3/1/2030	457,276
					<u>\$ 1,087,487</u>

The following represents the future maturities on these notes:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 43,263	\$ 18,154	\$ 61,417
2023	68,837	43,674	112,511
2024	71,653	40,857	112,510
2025	74,585	37,925	112,510
2026	77,638	34,873	112,511
2027-2031	377,123	124,013	501,136
2032-2036	190,321	65,149	255,470
2037-2040	184,067	20,309	204,376
Total	<u>\$ 1,087,487</u>	<u>\$ 384,954</u>	<u>\$ 1,472,441</u>

The District has a copy machine leased under an operating lease. Rent expense amounted to \$1,308 for the year ended September 30, 2021. The minimum future lease payments under the lease at September 30, 2021 are as follows:

Year Ending September 30,	Amount
2022	\$ 109

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EARLY, TEXAS
Early, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual Budgetary Basis (See Note A)	Variance with Final Budget Positive (Negative)
RESOURCES (INFLows):				
Ad valorem taxes	\$ 977,465	\$ 977,465	\$ 933,756	\$ (43,709)
Penalty and interest	7,500	7,500	9,168	1,668
City sales tax	1,132,500	1,777,050	2,210,456	433,406
Franchise taxes	147,000	147,000	142,551	(4,449)
Other taxes	15,000	15,000	26,749	11,749
Municipal court revenue	103,000	103,000	102,055	(945)
Fees and permits	16,300	16,300	25,850	9,550
Interest earned	4,075	4,075	11,221	7,146
Grants and contributions	97,200	247,735	113,463	(134,272)
Intergovernmental	134,755	134,755	134,756	1
Other revenue	12,950	12,950	27,071	14,121
 Total Revenue	 \$ 2,647,745	 \$ 3,442,830	 \$ 3,737,096	 \$ 294,266
 CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 869,145	\$ 943,695	\$ 843,330	\$ 100,365
Police	1,099,284	1,112,679	988,627	124,052
Fire	737,656	799,756	696,943	102,813
Street	590,516	590,516	369,940	220,576
Parks and recreation	378,300	460,575	453,026	7,549
 Total Expenditures	 \$ 3,674,901	 \$ 3,907,221	 \$ 3,351,866	 \$ 555,355
 EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	 \$ (1,027,156)	 \$ (464,391)	 \$ 385,230	 \$ 849,621
 OTHER FINANCING SOURCES (USES)	 -	 292,462	 359,548	 67,086
 NET CHANGE IN FUND BALANCE	 \$ (1,027,156)	 \$ (171,929)	 \$ 744,778	 \$ 916,707
 FUND BALANCE - BEGINNING OF YEAR	 1,785,298	 1,785,298	 1,785,298	 -
 FUND BALANCE - END OF YEAR	 \$ 758,142	 \$ 1,613,369	 \$ 2,530,076	 \$ 916,707

See accompanying note to budgetary comparison schedule

CITY OF EARLY, TEXAS
Early, Texas

NOTE TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2021

**NOTE A: EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS
AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES:**

Sources/inflows of Resources:

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule.	\$ 3,737,096
The City budgets for sales tax based on the amount collected rather than on the modified accrual basis.	<u>139,341</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 3,876,437</u>

Uses/outflows of Resources:

Actual amounts (budgetary basis) of total charges to appropriations from the budgetary comparison schedule.	\$ 3,351,866
The City budgeted transfers to the Debt Service Fund as expenditures rather than as other financing uses	(81,600)
The City budgets for compensated absences on a cash basis rather than on a modified accrual basis	<u>4,150</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 3,274,416</u>

2017	2018	2019	2020
\$ 97,848	\$ 102,859	\$ 112,583	\$ 127,425
150,437	159,644	167,170	183,106
-	-	-	-
946	(50,962)	37,537	47,923
-	-	23,312	-
(120,905)	(109,767)	(100,034)	(123,856)
\$ 128,326	\$ 101,774	\$ 240,568	\$ 234,598
2,240,223	2,368,549	2,470,323	2,710,891
<u>\$ 2,368,549</u>	<u>\$ 2,470,323</u>	<u>\$ 2,710,891</u>	<u>\$ 2,945,489</u>
\$ 36,808	\$ 39,566	\$ 44,624	\$ 46,946
55,596	58,047	64,114	72,898
313,403	(76,207)	379,426	215,545
(120,905)	(109,767)	(100,034)	(123,856)
(1,625)	(1,474)	(2,146)	(1,396)
(83)	(77)	(65)	(53)
\$ 283,194	\$ (89,912)	\$ 385,919	\$ 210,084
2,262,889	2,546,083	2,456,171	2,842,090
<u>\$ 2,546,083</u>	<u>\$ 2,456,171</u>	<u>\$ 2,842,090</u>	<u>\$ 3,052,174</u>
\$ (177,534)	\$ 14,152	\$ (131,199)	\$ (106,685)
107.50%	99.43%	104.84%	103.62%
\$ 1,111,910	\$ 1,160,934	\$ 1,282,271	\$ 1,457,956
(15.97%)	1.22%	(10.23%)	(7.32%)

2018	2019	2020	2021
\$ 38,965	\$ 42,877	\$ 44,687	\$ 56,188
38,940	42,879	44,687	56,188
25	(2)	-	-
1,150,884	1,237,931	1,360,777	1,609,626
3.38%	3.46%	3.28%	3.49%

CITY OF EARLY, TEXAS
Early, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Four Plan Years

	2017	2018	2019	2020
TOTAL OPEB LIABILITY - BEGINNING	\$ 46,341	\$ 54,056	\$ 49,533	\$ 63,810
CHANGES FOR THE YEAR:				
Service cost	\$ 2,446	\$ 2,902	\$ 2,436	\$ 3,645
Interest on total OPEB liability	1,787	1,828	1,871	1,797
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(5,080)	(64)	(313)
Changes in assumptions or other inputs	4,038	(3,593)	10,675	10,050
Benefit payments	(556)	(580)	(641)	(583)
Net Change in Total OPEB Liability	\$ 7,715	\$ (4,523)	\$ 14,277	\$ 14,596
TOTAL OPEB LIABILITY - ENDING	\$ 54,056	\$ 49,533	\$ 63,810	\$ 78,406
COVERED EMPLOYEE PAYROLL	\$ 1,111,910	\$ 1,160,934	\$ 1,282,271	\$ 1,457,956
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	4.86%	4.27%	4.98%	5.38%

NOTES TO SCHEDULE:

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

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

A full ten year schedule will be presented as it becomes available

SUPPLEMENTARY INFORMATION

CITY OF EARLY, TEXAS
Early, Texas

COMBINING STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

September 30, 2021

	Water	Sewer	Sanitation	Property Management	Total Proprietary Funds
CURRENT ASSETS:					
Pooled cash and cash equivalents	\$ 12,880	\$ 6,070	\$ 8,050	\$ 16,278	\$ 27,000
Non pooled cash and cash equivalents	5,217	89,376	68,568		179,439
Accounts receivable, net	136,995	48,020	41,578		226,593
Internal balances	5,135	386,357	29,638		421,130
Inventory	40,332	11,941			52,273
Prepaid bond insurance	11,780				11,780
Total Current Assets	<u>\$ 212,339</u>	<u>\$ 541,764</u>	<u>\$ 147,834</u>	<u>\$ 16,278</u>	<u>\$ 918,215</u>
NONCURRENT ASSETS:					
Restricted assets	\$ 318,771	\$ 891,015	\$ 8,136		\$ 1,209,786
Net pension asset	14,547	6,163			28,846
Capital assets, net	7,188,486	8,603,356	420,888	1,446,013	17,658,743
Total Noncurrent Assets	<u>\$ 7,521,804</u>	<u>\$ 9,500,534</u>	<u>\$ 429,024</u>	<u>\$ 1,446,013</u>	<u>\$ 18,897,375</u>
TOTAL ASSETS	<u><u>\$ 7,734,143</u></u>	<u><u>\$ 10,042,298</u></u>	<u><u>\$ 576,858</u></u>	<u><u>\$ 1,462,291</u></u>	<u><u>\$ 19,815,590</u></u>
DEFERRED OUTFLOWS OF RESOURCES:					
Unamortized bond refunding charges	\$ 544,369	\$ 3,979	\$ 7,491		\$ 544,369
Amount related to pensions	17,006				28,476
Amount related to other postemployment benefits	3,286	681	1,536		5,503
Total Deferred Outflows of Resources	<u>\$ 564,661</u>	<u>\$ 4,660</u>	<u>\$ 9,027</u>	<u>\$ -</u>	<u>\$ 578,348</u>
CURRENT LIABILITIES:					
Accounts payable	\$ 48,839	\$ 10,343	\$ 7,062	\$ -	\$ 66,244
Compensated absences	14,318	711	73		15,102
Rent received in advance				8,331	8,331
Notes payable			93,125		93,125
Bonds payable	35,879	28,057			63,936
Total Current Liabilities	<u>\$ 99,036</u>	<u>\$ 39,111</u>	<u>\$ 100,260</u>	<u>\$ 8,331</u>	<u>\$ 246,738</u>
LIABILITIES PAYABLE FROM RESTRICTED RESOURCES:					
Customer utility deposits	\$ 90,100	\$ 21,185	\$ 5,370		\$ 90,100
Accrued interest payable	19,550				40,735
Bonds payable	209,121	51,943			261,064
Total Liabilities Payable from Restricted Assets	<u>\$ 318,771</u>	<u>\$ 73,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,899</u>
NONCURRENT LIABILITIES:					
Compensated absences	\$ 229	\$ 1,834	\$ 5,370		\$ 1,063
Net other postemployment benefits liability	15,779		106,016		22,983
Notes payable				106,016	106,016
Bonds payable	4,405,981	7,900,000			12,305,981
Total Noncurrent Liabilities	<u>\$ 4,421,989</u>	<u>\$ 7,902,668</u>	<u>\$ 111,386</u>	<u>\$ -</u>	<u>\$ 12,436,043</u>
TOTAL LIABILITIES	<u><u>\$ 4,839,796</u></u>	<u><u>\$ 8,014,907</u></u>	<u><u>\$ 211,646</u></u>	<u><u>\$ 8,331</u></u>	<u><u>\$ 13,074,680</u></u>
DEFERRED INFLOWS OF RESOURCES:					
Amount related to pensions	\$ 14,248	\$ 2,807	\$ 6,804	\$ -	\$ 23,859
Amount related to other postemployment benefits	595	117	284		996
Total Deferred Outflows of Resources	<u>\$ 14,843</u>	<u>\$ 2,924</u>	<u>\$ 7,088</u>	<u>\$ -</u>	<u>\$ 24,855</u>
NET POSITION:					
Invested in capital assets, net of related debt	\$ 3,081,874	\$ 1,429,939	\$ 420,888	\$ 1,446,013	\$ 6,378,714
Restricted for grant expenditures		391,502			391,502
Unrestricted	362,291	207,686	(53,737)	7,947	524,187
TOTAL NET POSITION	<u><u>\$ 3,444,165</u></u>	<u><u>\$ 2,029,127</u></u>	<u><u>\$ 367,151</u></u>	<u><u>\$ 1,453,960</u></u>	<u><u>\$ 7,294,403</u></u>

CITY OF EARLY, TEXAS
Early, Texas

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

September 30, 2021

	Water	Sewer	Sanitation	Property Management	Total Proprietary Funds
OPERATING REVENUES:					
Charges for services	\$ 1,385,165	\$ 494,976	\$ 497,126	\$ 33,324	\$ 2,377,267
Rent income					33,324
Other	39,658	87,815	166		127,639
Total Operating Revenues	\$ 1,424,823	\$ 582,791	\$ 497,292	\$ 33,324	\$ 2,538,230
OPERATING EXPENSES:					
Personnel costs	\$ 383,984	\$ 135,085	\$ 174,599	\$ 42,836	\$ 693,668
Materials, supplies and services	386,913	91,375	163,360		641,648
Maintenance and operations	177,372	64,330	34,178		275,880
Depreciation and amortization	320,368	341,756	72,934		777,894
Contractual remittances					33,324
Support services	15,150	6,100	5,650		26,900
Other	32,171	14,782	7,995		54,948
Total Operating Expenses	\$ 1,315,958	\$ 653,428	\$ 458,716	\$ 76,160	\$ 2,504,262
OPERATING GAIN (LOSS)	\$ 108,865	\$ (70,637)	\$ 38,576	\$ (42,836)	\$ 33,968
NON-OPERATING REVENUE AND EXPENSE:					
Interest income	\$ 1,549	\$ 764	\$ 208	\$ 82	\$ 2,603
Grants and contributions	20,239	400,229			420,468
Interest expense	(173,475)	(169,660)	(8,094)		(351,229)
Sale of property		(1,575)			22,943
Other	(1,255)	(350)			(1,605)
Total Non-Operating Revenue and Expense	\$ (152,942)	\$ 229,408	\$ (7,886)	\$ 24,600	\$ 93,180
GAIN (LOSS) BEFORE TRANSFERS	\$ (44,077)	\$ 158,771	\$ 30,690	\$ (18,236)	\$ 127,148
TRANSFERS:					
Operating transfers in	\$ 7,614	\$ 2,481	\$ (7,758)	\$ (298,748)	\$ 10,095
Operating transfers out	(22,697)				(329,203)
Net Operating Transfers	\$ (15,083)	\$ 2,481	\$ (7,758)	\$ (298,748)	\$ (319,108)
CHANGES IN NET POSITION	\$ (59,160)	\$ 161,252	\$ 22,932	\$ (316,984)	\$ (191,960)
NET POSITION - BEGINNING	3,503,325	1,867,875	344,219	1,770,944	7,486,363
NET POSITION - ENDING	\$ 3,444,165	\$ 2,029,127	\$ 367,151	\$ 1,453,960	\$ 7,294,403

CITY OF EARLY, TEXAS
Early, Texas

**COMBINING STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended September 30, 2021

	Water	Sewer	Sanitation	Property Management	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 1,390,117	\$ 577,000	\$ 494,285	\$ 36,100	\$ 2,497,502
Cash payments to suppliers for goods and services	(601,108)	(174,073)	(215,795)	(33,324)	(1,024,300)
Cash payments to employees for services	(388,683)	(134,878)	(177,668)		(701,229)
Internal activity-payments to other funds	20,602	(5,057)	4,548		20,093
Net Cash From Operating Activities	\$ 420,928	\$ 262,992	\$ 105,370	\$ 2,776	\$ 792,066
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Increase in customer meter deposits	\$ 6,230	\$ 2,481	\$ (7,758)	\$ (298,748)	\$ 6,230
Operating transfers in	7,614				10,095
Operating transfers out	(22,697)		\$ (7,758)	\$ (298,748)	(329,203)
Net Cash From Noncapital Financing Activities	\$ (8,853)	\$ 2,481	\$ (7,758)	\$ (298,748)	\$ (312,878)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on notes payable	\$	\$	\$ (90,182)	\$	\$ (90,182)
Interest paid on notes payable			(8,094)		(8,094)
Principal paid on bonds payable	(240,000)	(75,000)			(315,000)
Interest paid on bonds payable	(158,800)	(169,720)			(328,520)
Other bond costs	(1,255)	(350)			(1,605)
Grants and contributions	20,239	8,727			28,966
Proceeds from sale of property		10,750		298,748	309,498
Acquisition and construction of capital assets		(57,869)			(57,869)
Net Cash From Capital and Related Financing Activities	\$ (379,816)	\$ (283,462)	\$ (98,276)	\$ 298,748	\$ (462,806)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	\$ 1,549	\$ 764	\$ 208	\$ 82	\$ 2,603
Total Cash From Investing Activities	\$ 1,549	\$ 764	\$ 208	\$ 82	\$ 2,603
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 33,808	\$ (17,225)	\$ (456)	\$ 2,858	\$ 18,985
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	303,060	1,003,686	77,074	13,420	1,397,240
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 336,868	\$ 986,461	\$ 76,618	\$ 16,278	\$ 1,416,225

CITY OF EARLY, TEXAS
Early, Texas

**COMBINING STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS (CONT.)**

For the Year Ended September 30, 2021

	Water	Sewer	Sanitation	Property Management	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM <u>OPERATING ACTIVITIES</u>					
OPERATING INCOME (LOSS)	\$ 108,865	\$ (70,637)	\$ 38,576	\$ (42,836)	\$ 33,968
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:					
Depreciation and amortization	320,368	341,756	72,934	42,836	777,894
Change in assets and liabilities:					
Receivables	(34,706)	(5,791)	(3,007)		(43,504)
Prepaid bond insurance	956				956
Rent received in advance				2,776	2,776
Net pension asset and deferred items	(5,444)	(692)	(2,788)		(8,924)
Accounts payable	9,542	2,514	(4,612)		7,444
Compensated absences	(495)	432	(171)		(234)
Net other postemployment benefits liability					
deferred items	1,240	467	(110)		1,597
Internal balances	20,602	(5,057)	4,548		20,093
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 420,928</u>	<u>\$ 262,992</u>	<u>\$ 105,370</u>	<u>\$ 2,776</u>	<u>\$ 792,066</u>