

CITY OF EARLY
Early, Texas

ANNUAL FINANCIAL STATEMENTS

September 30, 2023

CITY OF EARLY, TEXAS
Early, Texas

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September 30, 2023

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Krischke CPA, PC

201 CENTER AVENUE
P. O. BOX 1645
BROWNWOOD, TEXAS 76804
325-646-6576
325-646-3476 FAX

D. A. "Tony" Krischke, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Early
Early, Texas

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City of Early Texas' basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit



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conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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 37-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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

Krischke CPA, PC

November 28, 2023

BASIC FINANCIAL STATEMENTS

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

September 30, 2023

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Early MDD	
ASSETS:					
Pooled cash and cash equivalents	\$ 57,981	\$ 25,962	\$ 83,943	\$	
Non pooled cash and cash equivalents	2,073,679	250,254	2,323,933		840,806
Receivables, net	1,166,594	276,517	1,443,111		135,188
Inventory		52,272	52,272		
Land held for development					1,204,066
Prepaid bond insurance		9,870	9,870		
Restricted assets	4,380,888	1,280,918	5,661,806		132,111
Net pension asset	97,536	44,274	141,810		
Capital assets, net	13,106,190	16,758,127	29,864,317		46,303
Total Assets	\$ 20,882,868	\$ 18,698,194	\$ 39,581,062	\$	2,358,474
DEFERRED OUTFLOWS OF RESOURCES:					
Unamortized bond refunding charges	\$	\$ 456,093	\$ 456,093	\$	
Amounts relating to pensions	204,989	70,994	275,983		
Amounts relating to other postemployment benefits	3,184	1,102	4,286		
Total Deferred Outflows of Resources	\$ 208,173	\$ 528,189	\$ 736,362	\$	-
LIABILITIES:					
Accounts payable	\$ 330,241	\$ 83,442	\$ 413,683	\$	101,762
Accrued salaries	38,283		38,283		
Accrued interest payable	56,209		56,209		
Compensated absences	24,016	9,625	33,641		3,697
Unearned revenues	244,051		244,051		
Internal balances	29,305	(29,305)			
Liabilities payable from restricted assets:					
Customer utility deposits		115,300	115,300		
Notes payable					103,261
Bonds payable		314,845	314,845		
Accrued interest payable	59,869	46,747	106,616		28,850
Noncurrent liabilities:					
Compensated absences	32,267	3,237	35,504		2,875
Other postemployment benefits liability	39,817	17,569	57,386		
Financed purchases:					
Portion due or payable within one year	2,816		2,816		
Portion due or payable after one year	1,607		1,607		
Notes payable:					
Portion due or payable within one year	68,509	46,735	115,244		6,780
Portion due or payable after one year	217,980	337,794	555,774		1,701,935
Bonds payable:					
Portion due or payable within one year	360,000	25,155	385,155		
Portion due or payable after one year	5,567,801	11,578,254	17,146,055		
Total Liabilities	\$ 7,072,771	\$ 12,549,398	\$ 19,622,169	\$	1,949,160

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF NET POSITION (CONT.)

September 30, 2023

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Early MDD	
DEFERRED INFLOWS OF RESOURCES:					
Amounts relating to pensions	\$ 129,993	\$ 45,020	\$ 175,013	\$	
Amounts relating to other postemployment benefits	13,714	4,750	18,464		
Amounts relating to leases		11,080	11,080		
Total Deferred Inflows of Resources	\$ 143,707	\$ 60,850	\$ 204,557	\$	-
NET POSITION:					
Invested in capital assets, net of related debt	\$ 7,173,967	\$ 6,097,289	\$ 13,271,256	\$	46,303
Restricted for:					
Construction	3,918,599			3,918,599	
Tourism promotion	196,536			196,536	
Other purposes	68,270			68,270	
Unrestricted	2,517,191	518,846	3,036,037		363,011
Total Net Position	\$ 13,874,563	\$ 6,616,135	\$ 20,490,698	\$	409,314

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF ACTIVITIES

September 30, 2023

	Program Revenue			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/programs</u>				
Governmental Activities:				
General government	\$ 720,801	\$ 432,346	\$ 62,033	\$
Police	1,076,742		12,409	
Fire	769,723			
Street	493,297			81,000
Parks and recreation	476,768			
Town Center				1,344,545
Tourism promotion	289,169	24,187	15,000	
Interest and fees on long-term debt	162,223			
Debt issuance costs	101,629			
Unallocated depreciation*	1,716			
Total Governmental Activities	\$ 4,092,068	\$ 456,533	\$ 89,442	\$ 1,425,545
Business-type Activities:				
Water	\$ 1,544,905	\$ 1,633,319	\$	\$ 99,868
Sewer	767,235	799,968		85,181
Sanitation	586,701	626,562	2,500	
Property management	76,160			
Interest	341,270			
Total Business-type Activities	\$ 3,316,271	\$ 3,059,849	\$ 2,500	\$ 185,049
TOTAL PRIMARY GOVERNMENT	\$ 7,408,339	\$ 3,516,382	\$ 91,942	\$ 1,610,594
Component Unit:				
Early Municipal Development District	\$ 1,435,697	\$ 7,136	\$ -	\$ -

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

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
\$ (226,422)	\$ (226,422)		
(1,064,333)	(1,064,333)		
(769,723)	(769,723)		
(412,297)	(412,297)		
(476,768)	(476,768)		
1,344,545	1,344,545		
(249,982)	(249,982)		
(162,223)	(162,223)		
(101,629)	(101,629)		
(1,716)	(1,716)		
<u>\$ (2,120,548)</u>	<u>\$ -</u>	<u>\$ (2,120,548)</u>	
\$ 188,282	\$ 188,282		
117,914	117,914		
42,361	42,361		
(76,160)	(76,160)		
(341,270)	(341,270)		
<u>\$ -</u>	<u>\$ (68,873)</u>	<u>\$ (68,873)</u>	
<u>\$ (2,120,548)</u>	<u>\$ (68,873)</u>	<u>\$ (2,189,421)</u>	
			\$ (1,428,561)

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF ACTIVITIES (CONT.)

September 30, 2023

	Nct (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
	Early MDD			
CHANGE IN NET POSITION:				
Nct (Expense) Revenue	\$ (2,120,548)	\$ (68,873)	\$ (2,189,421)	\$ (1,428,561)
General Revenues:				
Taxes:				
Ad valorem	\$ 1,126,879	\$ 1,126,879	\$ 1,126,879	\$ 1,126,879
Sales	2,313,513	2,313,513	2,313,513	693,043
Franchise	162,794	162,794	162,794	162,794
Other	266,393	266,393	266,393	266,393
Rental income	32,632	32,632	32,632	83,730
Interest on investments	50,203	35,065	85,268	7,813
Gain on disposal of assets	(4,313)	15,911	11,598	11,598
Miscellaneous	66,399	66,399	66,399	50
Transfers	87,578	(87,578)	-	-
Total Revenue	\$ 4,069,446	\$ (3,970)	\$ 4,065,476	\$ 784,636
CHANGE IN NET POSITION	\$ 1,948,898	\$ (72,843)	\$ 1,876,055	\$ (643,925)
NET POSITION - BEGINNING	<u>11,925,665</u>	<u>6,688,978</u>	<u>18,614,643</u>	<u>1,053,239</u>
NET POSITION - ENDING	<u>\$ 13,874,563</u>	<u>\$ 6,616,135</u>	<u>\$ 20,490,698</u>	<u>\$ 409,314</u>

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2023

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
ASSETS:					
Pooled cash and cash equivalents	\$ 57,981	\$	\$	\$ 57,981	
Non pooled cash and cash equivalents	2,073,679				2,073,679
Property taxes receivable, net	17,861		6,583		24,444
Other taxes receivable	415,807		89,407		505,214
Other receivables	47,282				47,282
Internal balances		12,762			12,762
Restricted assets	266,267	3,905,837	208,784		4,380,888
TOTAL ASSETS	\$ 2,878,877	\$ 3,918,599	\$ 304,774	\$ 7,102,250	
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 291,114	\$	\$ 39,127	\$ 330,241	
Accrued salaries	38,283				38,283
Compensated absences	21,357		2,659		24,016
Unearned revenues	244,051				244,051
Internal balances	42,067				42,067
TOTAL LIABILITIES	\$ 636,872	\$ -	\$ 41,786	\$ 678,658	
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	\$ 17,861	\$ -	\$ 6,583	\$ 24,444	
FUND BALANCES:					
Restricted for:					
Beautification	\$ 66,202	\$	\$ 66,202		
Law Enforcement	2,068				2,068
Construction		3,918,599			3,918,599
Debt service			59,869		59,869
Tourism promotion				196,536	196,536
Assigned:					
Projected budgetary deficit	1,707,497				1,707,497
Unassigned	448,377				448,377
TOTAL FUND BALANCES	\$ 2,224,144	\$ 3,918,599	\$ 256,405	\$ 6,399,148	
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,878,877	\$ 3,918,599	\$ 304,774	\$ 7,102,250	

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, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 6,399,148
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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 \$8,333,735.	13,106,190
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	172,532
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.	24,444
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 \$143,397.	589,654
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	(50,347)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet.	<u>(6,367,058)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 13,874,563</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, 2023

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Ad valorem taxes	\$ 876,559	\$	\$ 240,404	\$ 1,116,963	
Penalty and interest	5,605		1,535		7,140
City sales tax	2,313,513				2,313,513
Franchise taxes	162,794				162,794
Other taxes	24,354		242,039		266,393
Municipal court revenue	142,580				142,580
Fees and permits	17,451				17,451
Interest earned	22,938	25,837	1,428		50,203
Grants and contributions	1,499,987		15,000		1,514,987
Intergovernmental	225,783				225,783
Visitor and Event Center fees			24,187		24,187
Other revenue	21,261		12,956		34,217
Total Revenue	\$ 5,312,825	\$ 25,837	\$ 537,549	\$ 5,876,211	
EXPENDITURES:					
General government	\$ 727,472	\$	\$	\$	727,472
Police	1,181,284				1,181,284
Fire	724,008				724,008
Street	1,191,361				1,191,361
Parks and recreation	410,394				410,394
Town Center	2,060,798				2,060,798
Capital outlay		107,238			107,238
Bond issuance costs		101,629			101,629
Debt Service:					
Principal			350,000		350,000
Interest			65,050		65,050
Bond fees			1,200		1,200
Tourism promotion			237,964		237,964
Visitor and Event Center expenses			45,159		45,159
Total Expenditures	\$ 6,295,317	\$ 208,867	\$ 699,373	\$ 7,203,557	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (982,492)	\$ (183,030)	\$ (161,824)	\$ (1,327,346)	
OTHER FINANCING SOURCES (USES):					
Transfers in	\$ 87,578	\$	\$ 175,139	\$	262,717
Transfers out	(172,000)	(3,139)			(175,139)
Bond proceeds		3,935,000			3,935,000
Bond premium		169,768			169,768
Insurance proceeds	32,182				32,182
Proceeds from sale of capital assets	7,500				7,500
Total Other Financing Sources (Uses)	\$ (44,740)	\$ 4,101,629	\$ 175,139	\$ 4,232,028	
NET CHANGE IN FUND BALANCE	\$ (1,027,232)	\$ 3,918,599	\$ 13,315	\$ 2,904,682	
FUND BALANCE - BEGINNING OF YEAR	3,251,376		243,090		3,494,466
FUND BALANCE - END OF YEAR	\$ 2,224,144	\$ 3,918,599	\$ 256,405	\$ 6,399,148	

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, 2023

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 2,904,682
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	3,354,745
Depreciation and amortization expense	(637,190)
Some of the City's taxes in the statement of activities do not provide current financial resources and are not reported as revenue in the funds.	2,776
Revenues received on warrants are not current financial resources and are not reported as revenues in the governmental funds.	46,532
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	(99,391)
Change in net pension asset/liability	5,741
Change in net other postemployment benefits liability	(1,323)
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.	
Advances on long-term debt	(3,935,000)
Premiums on long-term debt	(169,768)
Repayments on long-term debt	484,314
Current amortization of bond premiums	15,959
Increase in compensated absences.	<u>(23,179)</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,948,898</u>

See accompanying notes to basic financial statements

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

September 30, 2023

CURRENT ASSETS:

Pooled cash and cash equivalents	\$ 25,962
Non pooled cash and cash equivalents	250,254
Accounts receivable, net	276,517
Internal balances	29,305
Inventory	52,272
Prepaid bond insurance	9,870
Total Current Assets	<u>\$ 644,180</u>

NONCURRENT ASSETS:

Restricted assets	\$ 1,280,918
Net pension asset	44,274
Capital assets, net	<u>16,758,127</u>
Total Noncurrent Assets	<u>\$ 18,083,319</u>

TOTAL ASSETS

	<u>\$ 18,727,499</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Unamortized bond refunding charges	\$ 456,093
Amounts related to pensions	70,994
Amounts related to other postemployment benefits	<u>1,102</u>
Total Deferred Outflows of Resources	<u>\$ 528,189</u>

CURRENT LIABILITIES:

Accounts payable	\$ 83,442
Compensated absences	9,625
Notes payable	46,735
Bonds payable	25,155
Total Current Liabilities	<u>\$ 164,957</u>

LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Customer utility deposits	\$ 115,300
Accrued interest payable	46,747
Bonds payable	<u>314,845</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 476,892</u>

NONCURRENT LIABILITIES:

Compensated absences	\$ 3,237
Net other postemployment benefits liability	17,569
Notes payable	337,794
Bonds payable	<u>11,578,254</u>
Total Noncurrent Liabilities	<u>\$ 11,936,854</u>

TOTAL LIABILITIES

	<u>\$ 12,578,703</u>
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DEFERRED INFLOWS OF RESOURCES:

Amount related to pensions	\$ 45,020
Amounts related to other postemployment benefits	4,750
Amounts related leases	<u>11,080</u>
Total Deferred Inflows of Resources	<u>\$ 60,850</u>

NET POSITION:

Invested in capital assets, net of related debt	\$ 6,097,289
Unrestricted	<u>518,846</u>
	<u><u>\$ 6,616,135</u></u>

TOTAL NET POSITION

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, 2023

OPERATING REVENUES:

Charges for services	\$ 2,904,078
Rent income	32,632
Other	155,771
Total Operating Revenues	\$ 3,092,481

OPERATING EXPENSES:

Personnel costs	\$ 692,818
Materials, supplies and services	769,103
Maintenance and operations	535,169
Depreciation and amortization	802,516
Contractual remittances	33,324
Support services	62,004
Other	78,462
Total Operating Expenses	\$ 2,973,396

OPERATING INCOME

\$ 119,085

NON-OPERATING REVENUE AND EXPENSE:

Interest income	\$ 35,065
Grants and contributions	187,549
Sale of equipment	15,911
Interest expense	(341,270)
Other	(1,605)
Total Non-Operating Revenue and Expense	\$ (104,350)

GAIN (LOSS) BEFORE TRANSFERS

\$ 14,735

TRANSFERS:

Operating transfers in	\$ 33,433
Operating transfers out	(121,011)
Total Operating Transfers	\$ (87,578)

CHANGES IN NET POSITION

\$ (72,843)

NET POSITION - BEGINNING

6,688,978

NET POSITION - ENDING

\$ 6,616,135

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 3,052,526
Cash payments to suppliers for goods and services	(1,483,936)
Cash payments to employees for services	(700,416)
Internal activity-payments to other funds	<u>(25,623)</u>
Net Cash From Operating Activities	<u>\$ 842,551</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Increase in customer meter deposits	\$ 8,600
Operating transfers in	33,433
Operating transfers out	<u>(121,011)</u>
Net Cash From Noncapital Financing Activities	<u>\$ (78,978)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal advances on notes payable	\$ 384,412
Principal paid on notes payable	(105,899)
Interest paid on notes payable	(3,199)
Principal paid on bonds payable	(330,000)
Interest paid on bonds payable	(316,082)
Other bond costs	(1,605)
Grants and contributions	187,549
Acquisition and construction of capital assets	(603,453)
Sale of equipment	<u>15,911</u>
Net Cash From Capital and Related Financing Activities	<u>\$ (772,366)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>\$ 35,065</u>
Net Cash From Investing Activities	<u>\$ 35,065</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS \$ 26,272

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR \$ 1,530,862

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 1,557,134

CITY OF EARLY, TEXAS
Early, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONT.)

For the Year Ended September 30, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES

OPERATING INCOME	\$ 119,085
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:	
Depreciation and amortization	802,516
Changes in assets and liabilities:	
Receivables	(7,322)
Prepaid bond insurance	956
Net pension asset and deferred items	(7,971)
Accounts payable	(6,830)
Compensated absences	(266)
Net other postemployment benefits liability and deferred items	639
Deferred inflows on leases	(32,633)
Internal balances	<u>(25,623)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 842,551</u>

See accompanying notes to basic financial statements

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

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, 2023

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.

Capital Project Fund – Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Additionally, the government reports the following nonmajor governmental funds:

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

Special Revenue Fund - Convention & Visitors Bureau is the only Special Revenue Fund and 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 Funds - The Proprietary Funds are used to account for the provision of water, sewer, sanitation, and property management services to the residents of the City. Activities of the funds include administration, operations and maintenance of water, sewer, sanitation, and property management and billing and collection activities. The funds also account 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 funds 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.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

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.

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.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Inventories

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

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 from utility sales and a property lease. The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable plus any prepayments. The deferred inflow of resources is amortized into income over the life of the lease.

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.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Government-wide and Proprietary Net Position (cont.)

- 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.

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 three items that qualify for reporting in this category. Accordingly, the items, amounts related to pensions, amounts related to other postemployment benefits and amounts related to leases 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.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

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.

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

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

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, 2023, \$6,999,959 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. 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	\$ 25,962
Non pooled cash and cash equivalents	250,254
Restricted assets	<u>1,280,918</u>
 Total	 <u>\$ 1,557,134</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	\$ 3,905,837	\$ 811,784
Restricted for debt service payments	59,869	353,834
Restricted for tourism promotion	148,915	
Restricted for beautification	66,202	
Restricted seizure funds	2,068	
Restricted for grant expenditures	197,997	
Restricted for customer deposits		115,300
Total restricted assets	<u>\$ 4,380,888</u>	<u>\$ 1,280,918</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	\$ 3,963,650	\$
Hotel/Motel tax	81,271	
State of Texas sales taxes	415,807	
Warrants and citations	746,814	
Grants	47,000	
Other	8,418	
Utility		286,837
Lease receivable		5,533
 Less allowance of uncollectable accounts	 <u>(4,096,366)</u>	 <u>(15,853)</u>
Receivables, net	<u>\$ 1,166,594</u>	<u>\$ 276,517</u>

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 5: RECEIVABLES (CONT.)

The City entered into a lease with a local manufacturer in September 2014. Under the lease, the manufacturer pays the City \$2,777 per month for ten years and five months in exchange for use of City owned land and buildings. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at discount rate of 2.97%. In fiscal 2023, the City recognized \$32,632 of lease revenue and \$692 of interest revenue under the lease. All of the lease receivable is expected to be collected within one year.

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 346,353	\$	\$	\$ 346,353
Land use rights-casements	54,785			54,785
Construction in progress	840,368	366,567	(815,082)	392,353
Total capital assets not being depreciated	<u>\$ 1,242,006</u>	<u>\$ 366,567</u>	<u>\$ (815,082)</u>	<u>\$ 793,491</u>
Capital Assets Being Depreciated:				
Building and improvements	\$ 3,993,408	\$ 2,180,730	\$	\$ 6,174,138
Infrastructure	9,469,435	1,195,992		10,665,427
Machinery and equipment	3,454,943	438,349	(86,423)	3,806,869
Total capital assets being depreciated	<u>\$ 16,917,786</u>	<u>\$ 3,815,071</u>	<u>\$ (86,423)</u>	<u>\$ 20,646,434</u>
Less Accumulated Depreciation:				
Buildings and improvements	\$ (1,183,738)	\$ (162,151)	\$	\$ (1,345,889)
Infrastructure	(3,918,385)	(252,297)		(4,170,682)
Machinery and equipment	(2,669,033)	(222,742)	74,611	(2,817,164)
Total accumulated depreciation	<u>\$ (7,771,156)</u>	<u>\$ (637,190)</u>	<u>\$ 74,611</u>	<u>\$ (8,333,735)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 9,146,630</u>	<u>\$ 3,177,881</u>	<u>\$ (11,812)</u>	<u>\$ 12,312,699</u>
Governmental Capital Assets, Net	<u><u>\$ 10,388,636</u></u>	<u><u>\$ 3,544,448</u></u>	<u><u>\$ (826,894)</u></u>	<u><u>\$ 13,106,190</u></u>
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 235,333	\$	\$	\$ 235,333
Water line easements	90,332			90,332
Construction in progress	143,331	6,008		149,339
Total capital assets not being depreciated	<u>\$ 468,996</u>	<u>\$ 6,008</u>	<u>\$ -</u>	<u>\$ 475,004</u>
Capital Assets Being Depreciated:				
Building and improvements	\$ 1,725,940	\$ 24,324	\$	\$ 1,750,264
Infrastructure	20,510,182			20,510,182
Equipment	2,082,401	573,120	(33,826)	2,621,695
Total capital assets being depreciated	<u>\$ 24,318,523</u>	<u>\$ 597,444</u>	<u>\$ (33,826)</u>	<u>\$ 24,882,141</u>
Less Accumulated Depreciation:				
Building and improvements	\$ (508,567)	\$ (43,453)	\$	\$ (552,020)
Infrastructure	(6,091,351)	(554,978)		(6,646,329)
Equipment	(1,230,410)	(204,085)	33,826	(1,400,669)
Total accumulated depreciation	<u>\$ (7,830,328)</u>	<u>\$ (802,516)</u>	<u>\$ 33,826</u>	<u>\$ (8,599,018)</u>
Total Capital Assets Being Depreciated, Net	<u><u>\$ 16,488,195</u></u>	<u><u>\$ (205,072)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,283,123</u></u>
Business-type Activities Capital Assets, Net	<u><u>\$ 16,957,191</u></u>	<u><u>\$ (199,064)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,758,127</u></u>

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 6: CAPITAL ASSETS (CONT.)

The City is committed to a number of construction projects at September 30, 2023 including a sewer line replacement project, street and sidewalk improvement projects and the Town Center project. Total cost of these projects is approximately \$8,500,000 with remaining costs of approximately \$7,958,300 at September 30, 2023. Depreciation expense was charged to the following functions:

Governmental Activities:							
General government						\$ 55,219	
Police						67,025	
Fire						41,947	
Street						313,591	
Parks and recreation						150,897	
Tourism promotion						6,795	
Unallocated						1,716	
						<u>\$ 637,190</u>	
Business-type Activities:							
Water						\$ 322,182	
Sewer						342,552	
Sanitation						94,946	
Property Management						42,836	
						<u>\$ 802,516</u>	

NOTE 7: LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Leases and Notes Payable:					
Certificates of obligation	\$ 920,000	\$ 3,935,000	\$ (45,000)	\$ 4,810,000	\$ 50,000
General obligation bonds	1,200,000		(305,000)	895,000	310,000
Direct borrowings:					
Financed purchases	7,156		(2,733)	4,423	2,816
Notes payable	418,071		(131,582)	286,489	68,509
Bond premiums	\$ 2,545,227	\$ 3,935,000	\$ (484,315)	\$ 5,995,912	\$ 431,325
	68,993	169,767	(15,959)	222,801	
Total Bonds, Leases and Notes Payable	\$ 2,614,220	\$ 4,104,767	\$ (500,274)	\$ 6,218,713	\$ 431,325
Compensated absences	29,147	57,134	(29,998)	56,283	24,016
Total Governmental Activities	\$ 2,643,367	\$ 4,161,901	\$ (530,272)	\$ 6,274,996	\$ 455,341
Business-type Activities:					
Bonds and Notes Payable from direct borrowing and direct placements:					
Certificates of obligation	\$ 7,900,000	\$	\$ (80,000)	\$ 7,820,000	\$ 80,000
General obligation bonds	4,050,000		(250,000)	3,800,000	260,000
Notes payable	106,016	384,412	(105,899)	384,529	46,735
Bond premiums	\$ 12,056,016	\$ 384,412	\$ (435,899)	\$ 12,004,529	\$ 386,735
	327,117		(28,863)	298,254	
Total Bonds, Leases and Notes Payable	\$ 12,383,133	\$ 384,412	\$ (464,762)	\$ 12,302,783	\$ 386,735
Compensated absences	13,128	14,777	(15,043)	12,862	9,625
Total Business-type Activities	\$ 12,396,261	\$ 399,189	\$ (479,805)	\$ 12,315,645	\$ 396,360
Total Primary Government	\$ 15,039,628	\$ 4,561,090	\$ (1,010,077)	\$ 18,590,641	\$ 851,701

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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 9/30/2023
Combination Tax and Revenue					
Certificates of Obligation					
Series 2017	2/15/2017	\$ 1,125,000	2.0 to 4.0%	2/15/2037	\$ 875,000
Series 2023	2/15/2023	3,935,000	4.25 to 5.0%	2/15/2043	3,935,000
General Obligation Refunding Bonds					
Series 2019	12/5/2019	1,805,000	3.0%	2/15/2027	895,000
					<u>\$ 5,705,000</u>

The following represents the future maturities on these bonds:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 360,000	\$ 308,745	\$ 668,745
2025	365,000	225,200	590,200
2026	185,000	216,950	401,950
2027	190,000	215,375	405,375
2028	220,000	203,250	423,250
2029-2033	1,290,000	842,000	2,132,000
2034-2038	1,545,000	499,725	2,044,725
2039-2043	1,550,000	170,288	1,720,288
Total	\$ 5,705,000	\$ 2,681,533	\$ 8,386,533

Financed purchases are used to acquire equipment needed in the governmental operations of the City. A summary of the financed purchases follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
Canon Financial Services					
2/26/2020	5,908	3.00%	2/26/2025		1,762
5/18/2020	7,603	3.00%	5/10/2025		2,661
					<u>\$ 4,423</u>

The following represents the future maturities on these financed purchases:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 2,816	\$ 94	\$ 2,910
2025	1,607	16	1,623
Total	\$ 4,423	\$ 110	\$ 4,533

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 7: LONG TERM OBLIGATIONS (CONT.)

Governmental Activities (cont.)

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

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
American Bank	12/29/2021	\$ 353,022	2.97%	12/29/2026	\$ 286,489

The following represents the future maturities on this note:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 68,509	\$ 8,509	\$ 90,415
2025	70,544	6,474	77,018
2026	72,639	4,379	77,018
2027	74,797	2,221	77,018
Total	\$ 286,489	\$ 21,583	\$ 321,469

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 9/30/2023
Combination Tax and Revenue Certificates of Obligation Series 2015	4/15/2015	8,365,000	0 to 2.25%	2/15/2046	\$ 7,820,000
General Obligation Refunding Bonds Series 2016	5/1/2016	4,910,000	2.0 to 4.0%	2/15/2035	\$ 3,800,000
					<u>\$ 11,620,000</u>

The following represents the future maturities on these bonds:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 340,000	\$ 307,524	\$ 647,524
2025	345,000	298,645	643,645
2026	355,000	289,445	644,445
2027	370,000	278,377	648,377
2028	380,000	265,387	645,387
2029-2033	2,115,000	1,111,968	3,226,968
2034-2038	2,640,000	726,951	3,366,951
2039-2043	3,065,000	398,769	3,463,769
2044-2046	2,010,000	68,480	2,078,480
Total	\$ 11,620,000	\$ 3,745,546	\$ 15,365,546

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 7: LONG TERM OBLIGATIONS (CONT.)

Business-type activities (cont.)

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 9/30/2023
Simmons Bank	11/12/2019	\$ 208,707	3.55%	2/28/2025	\$ 117
First Security State Bank	5/17/2023	384,412	5.417%	5/17/2030	<u>\$ 384,412</u>
					<u><u>\$ 384,529</u></u>

The following represents the future maturities on these notes:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 46,735	\$ 20,850	\$ 45,842
2025	49,143	18,298	67,441
2026	51,805	15,636	67,441
2027	54,612	12,830	67,442
2028	57,570	9,872	67,442
2029-2030	124,664	10,219	134,883
Total	<u>\$ 384,529</u>	<u>\$ 87,705</u>	<u>\$ 450,491</u>

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Early participates as one of 909 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 Texas Government Code, Title 8, Subtitle G (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 TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	12
Active employees	39

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONT.)

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 of Early were 3.88% and 3.37% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$67,246, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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

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

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
	\$	\$	\$
Balance 12/31/2021	\$ 2,945,992	\$ 3,454,182	\$ (508,190)
Changes for the year:			
Service cost	\$ 161,788	\$	\$ 161,788
Interest	200,962		200,962
Difference between expected and actual experience	(85,821)		(85,821)
Contributions-employer		70,580	(70,580)
Contributions-employee		90,892	(90,892)
Net investment income		(251,345)	251,345
Benefit payments, including refunds of employee contributions	(99,345)	(99,345)	-
Administrative expenses		(2,182)	2,182
Other changes		2,604	(2,604)
Net changes	\$ 177,584	\$ (188,796)	\$ 366,380
Balance 12/31/2022	<u>\$ 3,123,576</u>	<u>\$ 3,265,386</u>	<u>\$ (141,810)</u>

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 that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$(298,159)	\$(141,810)	\$(507,088)

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

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 tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense (income) of \$(55,527). At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 175,013
Changes in actuarial assumptions	5,685	
Difference between projected and actual investment earnings	220,480	
Contributions subsequent to the measurement date	49,818	
Total	\$ 275,983	\$ 175,013

\$49,818 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, 2024. 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
2023	\$ (23,838)
2024	12,107
2025	4,164
2026	67,358
2027	(8,639)
Thereafter	-
Total	\$ 51,152

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, 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 a 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.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

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, 2022 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	39

Total OPEB Liability

The City's OPEB liability of \$57,386 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	4.05%
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, 2022. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Total OPEB Liability (cont.)

Changes in the total OPEB liability

Total OPEB liability 12/31/2021	\$ 78,004
Changes for the year:	
Service cost	\$ 6,362
Interest on total OPEB liability	1,477
Difference between expected and actual experience	2,104
Changes in assumptions or other inputs	(28,743)
Benefit payments	(1,818)
Net changes	\$ (20,618)
Balance 12/31/2022	<u>\$ 57,386</u>

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 4.05%, 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 (3.05%) or 1 percentage point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability	\$68,427	\$57,386	\$48,688

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$5,561. At September 30, 2023, 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	\$	\$ 5,750
Changes in assumptions or other inputs		12,714
Contributions subsequent to the measurement date	4,286	
Total	<u>\$ 4,286</u>	<u>\$ 18,464</u>

\$4,286 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, 2024. 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
2023	\$ (2,278)
2024	(2,584)
2025	(2,150)
2026	(2,152)
2027	(4,403)
Thereafter	(4,897)
Total	<u>\$ (18,464)</u>

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 10: INTERNAL BALANCES AND TRANSFERS

Internal balances at September 30, 2023 were composed of \$29,305 owed from General Fund to Proprietary Fund for short-term cash needs.

Transfers to/from other funds during the year ended September 30, 2023 consisted of a \$3,139 transfer of excess bond proceeds from Capital Projects Fund to Debt Service Fund, a \$172,000 transfer from the General Fund to the Debt Service Fund to fund debt service obligations, a \$87,578 transfer from Sewer Fund to General Fund for note payments and a \$33,433 transfer from Sewer Fund to Sanitation Fund for note payments.

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. 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 \$76,438 of economic development incentives during the current and prior years that were not yet funded at September 30, 2023. These incentives are expected to be paid within the coming year. At September 30, 2023, the District had approved granting a \$230,000 tract of land held for development to the City of Early. The transfer was not completed before the end of the fiscal 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.

NOTE 13: UTILITY

The Utility Department was serving the following number of customers at September 30, 2023:

Water Department	1,457
Sewer Department	1,358
Sanitation Department	1,506

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 14: COMPONENT UNIT DISCLOSURES

At September 30, 2023, \$590,631 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, 2023 is as follows:

Sales taxes	\$ 135,188
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Capital asset activity for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Vehicles and equipment	\$ 26,495	\$ 51,448	\$ (26,495)	\$ 51,448
Total capital assets being depreciated	\$ 26,495	\$ 51,448	\$ (26,495)	\$ 51,448
Less Accumulated Depreciation:				
Vehicles and equipment	\$ (23,846)	\$ (7,794)	\$ 26,495	\$ (5,145)
Total accumulated depreciation	\$ (23,846)	\$ (7,794)	\$ 26,495	\$ (5,145)
Total Capital Assets, Net	\$ 2,649	\$ 43,654	\$ -	\$ 46,303

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Notes payable	\$ 1,020,368	\$ 861,475	\$ (69,867)	\$ 1,811,976	\$ 110,041
Compensated absences	6,322	3,947	(3,697)	6,572	3,697
Total	\$ 1,026,690	\$ 865,422	\$ (73,564)	\$ 1,818,548	\$ 113,738

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 9/30/2023
Southside Bank	10/15/2019	\$ 675,000	4.32%	10/15/2039	\$ 581,468
Southside Bank	3/27/2020	500,000	3.97%	3/1/2030	369,033
Simmons Bank	11/30/2022	202,700	6.65%	11/30/2032	202,700
Southside Bank	7/21/2023	658,775	6.70%	7/21/2033	658,775
					\$ 1,811,976

CITY OF EARLY, TEXAS
Early, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 14: COMPONENT UNIT DISCLOSURES (CONT.)

The following represents the future maturities on these notes:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 110,041	\$ 72,268	\$ 182,309
2025	142,093	91,311	233,404
2026	149,660	83,743	233,403
2027	157,655	75,748	233,403
2028	166,102	67,301	233,403
2029-2033	783,370	199,398	982,768
2034-2038	207,129	48,343	255,472
2039-2040	95,926	6,263	102,189
Total	<u>\$ 1,811,976</u>	<u>\$ 644,375</u>	<u>\$ 2,456,351</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EARLY, TEXAS

Early, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual Budgetary Basis (See Note A)	Variance with Final Budget Positive (Negative)
RESOURCES (INFLows):				
Ad valorem taxes	\$ 865,126	\$ 865,126	\$ 876,559	\$ 11,433
Penalty and interest	6,000	6,000	5,605	(395)
City sales tax	1,500,000	2,500,000	2,338,732	(161,268)
Franchise taxes	147,000	147,000	162,794	15,794
Other taxes	20,000	20,000	24,354	4,354
Municipal court revenue	130,000	130,000	142,580	12,580
Fees and permits	24,000	24,000	17,451	(6,549)
Interest earned	8,050	8,050	22,938	14,888
Grants and contributions	117,200	117,200	592,367	475,167
Intergovernmental	225,798	225,798	225,783	(15)
Other revenue	9,200	9,200	60,943	51,743
 Total Revenue	 \$ 3,052,374	 \$ 4,052,374	 \$ 4,470,106	 \$ 417,732
 CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,004,225	\$ 1,195,593	\$ 896,496	\$ 299,097
Police	1,170,844	1,189,594	1,176,395	13,199
Fire	711,450	769,450	721,637	47,813
Street	1,292,400	1,868,558	1,191,105	677,453
Parks and recreation	428,500	456,350	411,655	44,695
Town Cntr	884,000	1,184,000	1,153,178	30,822
 Total Expenditures	 \$ 5,491,419	 \$ 6,663,545	 \$ 5,550,466	 \$ 1,113,079
 EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	\$ (2,439,045)	\$ (2,611,171)	\$ (1,080,360)	\$ 1,530,811
 OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	-	647,512	87,578	(559,934)
FUND BALANCE - BEGINNING OF YEAR	3,251,376	3,251,376	3,251,376	-
 FUND BALANCE - END OF YEAR	 \$ 812,331	 \$ 1,287,717	 \$ 2,258,594	 \$ 970,877

See accompanying note to budgetary comparison schedule

CITY OF EARLY, TEXAS
Early, Texas

NOTE TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2023

**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.	\$ 4,470,106
The City budgets for sales tax based on the amount collected rather than on the modified accrual basis.	(25,219)
The City did not budget for non-cash contribution of land and improvements for the Town Center	907,620
The City budgeted for insurance proceeds as other income rather than other financing sources	(32,182)
The City budgeted for proceeds from sale of capital assets as other income rather than other financing sources	<u>(7,500)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 5,312,825</u>

Uses/outflows of Resources:

Actual amounts (budgetary basis) of total charges to appropriations from the budgetary comparison schedule.	\$ 5,550,466
The City budgeted transfers to the Debt Service Fund as expenditures rather than as other financing uses	(172,000)
The City did not budget for non-cash contribution of land and improvements for the Town Center	907,620
The City budgets for salaries and wages on a cash basis rather than on a modified accrual basis	6,641
The City budgets for compensated absences on a cash basis rather than on a modified accrual basis	<u>2,590</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 6,295,317</u>

CITY OF EARLY, TEXAS
Early, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Nine Plan Years

	2014	2015	2016
TOTAL PENSION LIABILITY:			
Service cost	\$ 76,068	\$ 77,298	\$ 85,449
Interest (on total pension liability)	134,462	137,448	144,460
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(38,443)	65,834	(17,783)
Change of assumptions	-	39,029	-
Benefit payments, including refunds of employee contributions	(104,621)	(155,478)	(138,668)
Net Change in Total Pension Liability	\$ 67,466	\$ 164,131	\$ 73,458
Total Pension Liability - Beginning	1,935,168	2,002,634	2,166,765
Total Pension Liability - Ending (a)	<u>\$ 2,002,634</u>	<u>\$ 2,166,765</u>	<u>\$ 2,240,223</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 24,193	\$ 26,136	\$ 22,958
Contributions - employee	45,298	45,847	49,108
Net investment income	124,591	3,344	147,478
Benefit payments, including refunds of employee contributions	(104,621)	(155,478)	(138,668)
Administrative expense	(1,301)	(2,037)	(1,667)
Other	(107)	(101)	(90)
Net Change in Plan Fiduciary Net Position	\$ 88,053	\$ (82,289)	\$ 79,119
Plan Fiduciary Net Position - Beginning	2,178,006	2,266,059	2,183,770
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,266,059</u>	<u>\$ 2,183,770</u>	<u>\$ 2,262,889</u>
NET PENSION LIABILITY - ENDING (a) - (b)	<u><u>\$ (263,425)</u></u>	<u><u>\$ (17,005)</u></u>	<u><u>\$ (22,666)</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY			
	113.15%	100.78%	101.01%
COVERED EMPLOYEE PAYROLL	\$ 905,956	\$ 916,942	\$ 982,169
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	(29.08%)	(1.85%)	(2.31%)

NOTES TO SCHEDULE:

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

	2017	2018	2019	2020	2021	2022
\$	97,848	\$ 102,859	\$ 112,583	\$ 127,425	\$ 145,669	\$ 161,788
	150,437	159,644	167,170	183,106	199,204	200,962
	-	-	-	-	-	-
	946	(50,962)	37,537	47,923	(210,064)	(85,821)
	-	-	23,312	-	-	-
	(120,905)	(109,767)	(100,034)	(123,856)	(134,306)	(99,345)
\$	128,326	\$ 101,774	\$ 240,568	\$ 234,598	\$ 503	\$ 177,584
	2,240,223	2,368,549	2,470,323	2,710,891	2,945,489	2,945,992
\$	2,368,549	\$ 2,470,323	\$ 2,710,891	\$ 2,945,489	\$ 2,945,992	\$ 3,123,576
\$	36,808	\$ 39,566	\$ 44,624	\$ 46,946	\$ 58,758	\$ 70,580
	55,596	58,047	64,114	72,898	81,836	90,892
	313,403	(76,207)	379,426	215,545	397,548	(251,345)
	(120,905)	(109,767)	(100,034)	(123,856)	(134,306)	(99,345)
	(1,625)	(1,474)	(2,146)	(1,396)	(1,841)	(2,182)
	(83)	(77)	(65)	(53)	13	2,604
\$	283,194	\$ (89,912)	\$ 385,919	\$ 210,084	\$ 402,008	\$ (188,796)
	2,262,889	2,546,083	2,456,171	2,842,090	3,052,174	3,454,182
\$	2,546,083	\$ 2,456,171	\$ 2,842,090	\$ 3,052,174	\$ 3,454,182	\$ 3,265,386
\$	(177,534)	\$ 14,152	\$ (131,199)	\$ (106,685)	\$ (508,190)	\$ (141,810)
	107.50%	99.43%	104.84%	103.62%	117.25%	104.54%
\$	1,111,910	\$ 1,160,934	\$ 1,282,271	\$ 1,457,956	\$ 1,636,725	\$ 1,817,840
	(15.97%)	1.22%	(10.23%)	(7.32%)	(31.05%)	(7.80%)

CITY OF EARLY, TEXAS
Early, Texas

SCHEDULE OF PENSION CONTRIBUTIONS

Last Nine Fiscal Years

	2015	2016	2017
Actuarially determined contribution	\$ 25,624	\$ 24,454	\$ 33,384
Contributions in relation to the actuarially determined contribution	25,628	24,458	33,388
Contribution deficiency (excess)	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>\$ (4)</u>
Covered employee payroll	\$ 915,231	\$ 989,030	\$ 1,081,889
Contributions as a percentage of covered employee payroll	2.80%	2.47%	3.09%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

N/A

Asset Valuation Method

10 Year smoothed market; 12% soft corridor

Inflation

2.50%

Salary Increases

3.5% to 11.5% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

Notes

There were no benefit changes during the year.

2018	2019	2020	2021	2022	2023
\$ 38,965	\$ 42,877	\$ 44,687	\$ 56,188	\$ 67,632	\$ 69,245
38,940	42,879	44,687	56,188	67,632	69,246
\$ 25	\$ (2)	\$ -	\$ -	\$ -	\$ (1)
\$ 1,150,884	\$ 1,237,931	\$ 1,360,777	\$ 1,609,626	\$ 1,777,378	\$ 1,978,991
3.38%	3.46%	3.28%	3.49%	3.81%	3.50%

CITY OF EARLY, TEXAS
Early, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Six Plan Years

	2017	2018	2019	2020	2022	2023
TOTAL OPEB LIABILITY - BEGINNING	\$ 46,341	\$ 54,056	\$ 49,533	\$ 63,810	\$ 78,406	\$ 78,004
CHANGES FOR THE YEAR:						
Service cost	\$ 2,446	\$ 2,902	\$ 2,436	\$ 3,645	\$ 5,401	\$ 6,362
Interest on total OPEB liability	1,787	1,828	1,871	1,797	1,604	1,477
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(5,080)	(64)	(313)	(7,873)	2,104
Changes in assumptions or other inputs	4,038	(3,593)	10,675	10,050	2,266	(28,743)
Benefit payments	(556)	(580)	(641)	(583)	(1,800)	(1,818)
Net Change in Total OPEB Liability	\$ 7,715	\$ (4,523)	\$ 14,277	\$ 14,596	\$ (402)	\$ (20,618)
TOTAL OPEB LIABILITY - ENDING	\$ 54,056	\$ 49,533	\$ 63,810	\$ 78,406	\$ 78,004	\$ 57,386
COVERED EMPLOYEE PAYROLL	\$ 1,111,910	\$ 1,160,934	\$ 1,282,271	\$ 1,457,956	\$ 1,636,725	\$ 1,817,840

TOTAL OPEB LIABILITY AS A PERCENTAGE OF						
COVERED EMPLOYEE PAYROLL	4.86%	4.27%	4.98%	5.38%	4.77%	3.16%

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, 2023

	Water	Scwcr	Sanitation	Property Management	Total Proprietary Funds
CURRENT ASSETS:					
Pooled cash and cash equivalents	\$ 3,291	\$ 10,427	\$ 12,244	\$ 13,681	\$ 25,962
Non pooled cash and cash equivalents		132,808	103,765	5,533	250,254
Accounts receivable, net	157,326	62,358	51,300		276,517
Internal balances	(8,801)	3,755	34,351		29,305
Inventory	40,331	11,941			52,272
Prepaid bond insurance	9,870				9,870
Total Current Assets	\$ 202,017	\$ 221,289	\$ 201,660	\$ 19,214	\$ 644,180
NONCURRENT ASSETS:					
Restricted assets	\$ 389,266	\$ 891,652	\$ 13,481		\$ 1,280,918
Net pension asset	20,411	10,382			44,274
Capital assets, net	6,663,270	8,099,887	634,629	1,360,341	16,758,127
Total Noncurrent Assets	\$ 7,072,947	\$ 9,001,921	\$ 648,110	\$ 1,360,341	\$ 18,083,319
TOTAL ASSETS	\$ 7,274,964	\$ 9,223,210	\$ 849,770	\$ 1,379,555	\$ 18,727,499
DEFERRED OUTFLOWS OF RESOURCES:					
Unamortized bond refunding charges	\$ 456,093	\$ 34,739	\$ 17,983	\$ 18,272	\$ 456,093
Amount related to pensions					70,994
Amount related to other postemployment benefits	539	279	284		1,102
Total Deferred Outflows of Resources	\$ 491,371	\$ 18,262	\$ 18,556	\$ -	\$ 528,189
CURRENT LIABILITIES:					
Accounts payable	\$ 46,526	\$ 17,285	\$ 19,631		\$ 83,442
Compensated absences	8,596	1,029			9,625
Notes payable			46,735		46,735
Bonds payable	4,034	21,121			25,155
Total Current Liabilities	\$ 59,156	\$ 39,435	\$ 66,366	\$ -	\$ 164,957
LIABILITIES PAYABLE FROM RESTRICTED RESOURCES:					
Customer utility deposits	\$ 115,300	\$ 20,988	\$ 7,759		\$ 115,300
Accrued interest payable	18,000				46,747
Bonds payable	255,966	58,879			314,845
Total Liabilities Payable from Restricted Assets	\$ 389,266	\$ 79,867	\$ 7,759	\$ -	\$ 476,892
NONCURRENT LIABILITIES:					
Compensated absences	\$ 2,557	\$ 680	\$ 3,975		\$ 3,237
Net other postemployment benefits liability	13,132	462	337,794		17,569
Notes payable					337,794
Bonds payable	3,838,254	7,740,000			11,578,254
Total Noncurrent Liabilities	\$ 3,853,943	\$ 7,741,142	\$ 341,769	\$ -	\$ 11,936,854
TOTAL LIABILITIES	\$ 4,302,365	\$ 7,860,444	\$ 415,894	\$ -	\$ 12,578,703
DEFERRED INFLOWS OF RESOURCES:					
Amount related to pensions	\$ 22,030	\$ 11,403	\$ 11,587		\$ 45,020
Amount related to other postemployment benefits	2,324	894	1,532		4,750
Amount related to leases				11,080	11,080
Total Deferred Outflows of Resources	\$ 24,354	\$ 12,297	\$ 13,119	\$ 11,080	\$ 60,850
NET POSITION:					
Invested in capital assets, net of related debt	\$ 3,021,109	\$ 1,081,210	\$ 634,629	\$ 1,360,341	\$ 6,097,289
Unrestricted	418,507	287,521	(195,316)	8,134	518,846
TOTAL NET POSITION	\$ 3,439,616	\$ 1,368,731	\$ 439,313	\$ 1,368,475	\$ 6,616,135

CITY OF EARLY, TEXAS
Early, Texas

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

September 30, 2023

	Water	Sewer	Sanitation	Property Management	Total Proprietary Funds
OPERATING REVENUES:					
Charges for services	\$ 1,617,675	\$ 660,684	\$ 625,719	\$ 32,632	\$ 2,904,078
Rent income					32,632
Other	15,644	139,284	843		155,771
Total Operating Revenues	<u>\$ 1,633,319</u>	<u>\$ 799,968</u>	<u>\$ 626,562</u>	<u>\$ 32,632</u>	<u>\$ 3,092,481</u>
OPERATING EXPENSES:					
Personnel costs	\$ 330,931	\$ 168,146	\$ 193,741	\$ 42,836	\$ 692,818
Materials, supplies and services	496,047	94,584	178,472		769,103
Maintenance and operations	314,081	125,936	95,152		535,169
Depreciation and amortization	322,182	342,552	94,946		802,516
Contractual remittances					33,324
Support services	33,300	15,984	12,720		62,004
Other	47,109	19,683	11,670		78,462
Total Operating Expenses	<u>\$ 1,543,650</u>	<u>\$ 766,885</u>	<u>\$ 586,701</u>	<u>\$ 76,160</u>	<u>\$ 2,973,396</u>
OPERATING GAIN (LOSS)	\$ 89,669	\$ 33,083	\$ 39,861	\$ (43,528)	\$ 119,085
NON-OPERATING REVENUE AND EXPENSE:					
Interest income	\$ 2,315	\$ 31,407	\$ 545	\$ 798	\$ 35,065
Grants and contributions	99,868	85,181	2,500		187,549
Sale of equipment	15,911				15,911
Interest expense	(162,087)	(168,225)	(10,958)		(341,270)
Other	(1,255)	(350)			(1,605)
Total Non-Operating Revenue and Expenses	<u>\$ (45,248)</u>	<u>\$ (51,987)</u>	<u>\$ (7,913)</u>	<u>\$ 798</u>	<u>\$ (104,350)</u>
GAIN (LOSS) BEFORE TRANSFERS	\$ 44,421	\$ (18,904)	\$ 31,948	\$ (42,730)	\$ 14,735
TRANSFERS:					
Operating transfers in (out)		\$ (121,011)	\$ 33,433		\$ (87,578)
Net Operating Transfers	<u>\$ -</u>	<u>\$ (121,011)</u>	<u>\$ 33,433</u>	<u>\$ -</u>	<u>\$ (87,578)</u>
CHANGES IN NET POSITION	\$ 44,421	\$ (139,915)	\$ 65,381	\$ (42,730)	\$ (72,843)
NET POSITION - BEGINNING	3,395,195	1,508,646	373,932	1,411,205	6,688,978
NET POSITION - ENDING	<u>\$ 3,439,616</u>	<u>\$ 1,368,731</u>	<u>\$ 439,313</u>	<u>\$ 1,368,475</u>	<u>\$ 6,616,135</u>

CITY OF EARLY, TEXAS
Early, Texas

COMBINING STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2023

	Water	Sewer	Sanitation	Property Management	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers					
Cash payments to suppliers for goods and services	\$ 1,601,717	\$ 794,139	\$ 624,038	\$ 32,632	\$ 3,052,526
Cash payments to employees for services	(904,277)	(242,975)	(303,360)	(33,324)	(1,483,936)
Internal activity-payments to other funds	(331,014)	(171,653)	(197,749)		(700,416)
	<u>5,442</u>	<u>(4,418)</u>	<u>(26,647)</u>		<u>(25,623)</u>
Net Cash From Operating Activities	<u>\$ 371,868</u>	<u>\$ 375,093</u>	<u>\$ 96,282</u>	<u>\$ (692)</u>	<u>\$ 842,551</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Increase in customer meter deposits	\$ 8,600	\$ (121,011)	\$ 33,433		\$ 8,600
Operating transfers in (out)					(87,578)
Net Cash From Noncapital Financing Activities	<u>\$ 8,600</u>	<u>\$ (121,011)</u>	<u>\$ 33,433</u>	<u>\$ -</u>	<u>\$ (78,978)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal advances on notes payable	\$	\$	\$ 384,412	\$	\$ 384,412
Principal paid on notes payable			(105,899)		(105,899)
Interest paid on notes payable			(3,199)		(3,199)
Principal paid on bonds payable	(250,000)	(80,000)			(330,000)
Interest paid on bonds payable	(147,750)	(168,332)			(316,082)
Other bond costs	(1,255)	(350)			(1,605)
Grants and contributions	99,868	85,181	2,500		187,549
Acquisition and construction of capital assets	(110,252)	(108,789)	(384,412)		(603,453)
Sale of equipment	15,911				15,911
Net Cash From Capital and Related Financing Activities	<u>\$ (393,478)</u>	<u>\$ (272,290)</u>	<u>\$ (106,598)</u>	<u>\$ -</u>	<u>\$ (772,366)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	\$ 2,315	\$ 31,407	\$ 545	\$ 798	\$ 35,065
Total Cash From Investing Activities	<u>\$ 2,315</u>	<u>\$ 31,407</u>	<u>\$ 545</u>	<u>\$ 798</u>	<u>\$ 35,065</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	\$ (10,695)	\$ 13,199	\$ 23,662	\$ 106	\$ 26,272
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	<u>403,252</u>	<u>1,021,688</u>	<u>92,347</u>	<u>13,575</u>	<u>1,530,862</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	<u>\$ 392,557</u>	<u>\$ 1,034,887</u>	<u>\$ 116,009</u>	<u>\$ 13,681</u>	<u>\$ 1,557,134</u>

CITY OF EARLY, TEXAS
Early, Texas

COMBINING STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS (CONT.)

For the Year Ended September 30, 2023

	Water	Sewer	Sanitation	Property Management	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES					
OPERATING INCOME (LOSS)	\$ 89,669	\$ 33,083	\$ 39,861	\$ (43,528)	\$ 119,085
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:					
Depreciation and amortization	322,182	342,552	94,946	42,836	802,516
Change in assets and liabilities:					
Receivables	(31,602)	(5,829)	(2,524)	32,633	(7,322)
Prepaid bond insurance	956				956
Net pension asset and deferred items	(2,729)	(2,235)	(3,007)		(7,971)
Accounts payable	(14,696)	13,212	(5,346)		(6,830)
Compensated absences	2,368	(1,018)	(1,616)		(266)
Net other postemployment benefits liability deferred items	278	(254)	615		639
Deferred inflows on leases				(32,633)	(32,633)
Internal balances	5,442	(4,418)	(26,647)		(25,623)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 371,868</u>	<u>\$ 375,093</u>	<u>\$ 96,282</u>	<u>\$ (692)</u>	<u>\$ 842,551</u>