



FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30, 2024



CITY OF EARLY, TEXAS

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Early, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Early, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit or the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

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. Our opinion on the basic financial statements is not affected by this missing information.

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas
April 21, 2025

BASIC FINANCIAL STATEMENTS

CITY OF EARLY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

| | Primary Government | | | Component Units |
|--|--------------------------------|---------------------------------|----------------------|------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,150,611 | \$ 1,800,767 | \$ 2,951,378 | \$ 247,344 |
| Receivables, net | 733,473 | 284,092 | 1,017,565 | 156,153 |
| Inventory | | 52,273 | 52,273 | |
| Land held for development | | | | 1,303,038 |
| Prepaid expenses | | 8,915 | 8,915 | |
| Due from component unit | 7,235 | 9,026 | 16,261 | |
| Restricted cash and cash equivalents | 4,407,067 | | 4,407,067 | 139,585 |
| Non-depreciable capital assets | 1,359,661 | 535,142 | 1,894,803 | |
| Depreciable capital assets, net | 13,204,046 | 15,668,367 | 28,872,413 | 57,352 |
| TOTAL ASSETS | 20,862,093 | 18,358,582 | 39,220,675 | 1,903,472 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Unamortized bond refunding charges | | 411,955 | 411,955 | |
| Deferred outflows - pension | 305,241 | 88,565 | 393,806 | 15,293 |
| Deferred outflows - OPEB | 11,355 | 3,294 | 14,649 | 569 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 316,596 | 503,814 | 820,410 | 15,862 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 21,178,689 | 18,862,396 | 40,041,085 | 1,919,334 |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 485,143 | 32,623 | 517,766 | 64,964 |
| Due to primary government | | | | 16,261 |
| Utility deposits | | 118,480 | 118,480 | |
| Long term liabilities: | | | | |
| Due within one year | 473,413 | 394,143 | 867,556 | 144,291 |
| Due after one year: | | | | |
| Compensated absences | 67,486 | 15,637 | 83,123 | 8,869 |
| Loans and certificates payable | 5,433,417 | 11,493,043 | 16,926,460 | 1,532,756 |
| Net pension liability | 69,970 | 20,301 | 90,271 | 3,506 |
| Total OPEB liability | 45,286 | 13,139 | 58,425 | 2,269 |
| TOTAL LIABILITIES | 6,574,715 | 12,087,366 | 18,662,081 | 1,772,916 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows - pension | 271,358 | 78,733 | 350,091 | 13,596 |
| Deferred inflows - OPEB | 22,460 | 6,517 | 28,977 | 1,125 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 293,818 | 85,250 | 379,068 | 14,721 |
| NET POSITION | | | | |
| Net investment in capital assets | 8,637,446 | 4,316,323 | 12,953,769 | 57,352 |
| Restricted | 4,375,744 | 8,915 | 4,384,659 | |
| Unrestricted | 1,296,966 | 2,364,542 | 3,661,508 | 74,345 |
| TOTAL NET POSITION | \$ 14,310,156 | \$ 6,689,780 | \$ 20,999,936 | \$ 131,697 |

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

CITY OF EARLY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

| FUNCTIONS/PROGRAMS | Expenses | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | | Component Units | |
|------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|--------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | PRIMARY GOVERNMENT | | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | | |
| PRIMARY GOVERNMENT: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General administration | \$ 1,363,857 | \$ 515,196 | \$ | \$ | \$ (848,661) | \$ | \$ (848,661) | \$ | |
| Police | 1,411,960 | | | | (1,411,960) | | (1,411,960) | | |
| Fire | 908,395 | 13,500 | | | (894,895) | | (894,895) | | |
| Streets | 451,871 | 15,420 | | 600,001 | 163,550 | | 163,550 | | |
| Parks and recreation | 619,061 | | | | (619,061) | | (619,061) | | |
| Town Center | 123,712 | | | 297,284 | 173,572 | | 173,572 | | |
| Tourism promotion | 328,480 | | | | (328,480) | | (328,480) | | |
| Visitors and Events Center | 28,746 | 26,645 | | | (2,101) | | (2,101) | | |
| Interest | 328,247 | | | | (328,247) | | (328,247) | | |
| Total governmental activities | <u>5,564,329</u> | <u>570,761</u> | | <u>897,285</u> | <u>(4,096,283)</u> | | <u>(4,096,283)</u> | | |
| Business-type activities: | | | | | | | | | |
| Water | 1,528,551 | 1,650,516 | | 88,168 | | 210,133 | 210,133 | | |
| Sewer | 846,058 | 807,826 | | 88,168 | | 49,936 | 49,936 | | |
| Sanitation | 640,772 | 674,340 | | | | 33,568 | 33,568 | | |
| Property management | 73,383 | 41,648 | | | | (31,735) | (31,735) | | |
| Interest | 279,308 | | | | | (279,308) | (279,308) | | |
| Total business-type activities | <u>3,368,072</u> | <u>3,174,330</u> | | <u>176,336</u> | | <u>(17,406)</u> | <u>(17,406)</u> | | |
| TOTAL PRIMARY GOVERNMENT | \$ 8,932,401 | \$ 3,745,091 | \$ | \$ 1,073,621 | \$ (4,096,283) | \$ (17,406) | \$ (4,113,689) | | |
| Component units: | | | | | | | | | |
| Early Municipal Development | | | | | | | | | |
| District | \$ 1,056,609 | \$ 11,642 | \$ | \$ | | | | <u>(1,044,967)</u> | |
| Total component units | <u>\$ 1,056,609</u> | <u>\$ 11,642</u> | <u>\$</u> | <u>\$</u> | | | | <u>(1,044,967)</u> | |
| GENERAL REVENUES: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | | | | 1,596,652 | | 1,596,652 | | | |
| Sales and use taxes | | | | 2,037,481 | | 2,037,481 | | 660,142 | |
| Franchise taxes | | | | 161,436 | | 161,436 | | | |
| Other taxes | | | | 246,204 | | 246,204 | | | |
| Investment income | | | | 281,651 | 77,462 | 359,113 | | 35,801 | |
| Miscellaneous income | | | | 172,052 | 13,589 | 185,641 | | 71,407 | |
| Total general revenues | | | | <u>4,495,476</u> | <u>91,051</u> | <u>4,586,527</u> | | <u>767,350</u> | |
| Change in net position | | | | 399,193 | 73,645 | 472,838 | | (277,617) | |
| Net position - beginning, adjusted | | | | <u>13,910,963</u> | <u>6,616,135</u> | <u>20,527,098</u> | | <u>409,314</u> | |
| Net position - ending | | | | <u>\$ 14,310,156</u> | <u>\$ 6,689,780</u> | <u>\$ 20,999,936</u> | | <u>\$ 131,697</u> | |

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

CITY OF EARLY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

| | General Fund | Capital Projects Fund | Debt Service Fund | Nonmajor Governmental Fund | Total Governmental Funds |
|--|---------------------|-----------------------------|-------------------------|----------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,150,611 | \$ | \$ | \$ | \$ 1,150,611 |
| Receivables: | | | | | |
| Property tax, net | 12,552 | | 4,997 | | 17,549 |
| Warrants receivable | 285,804 | | | | 285,804 |
| Other taxes receivable | 350,188 | | | 79,932 | 430,120 |
| Other receivables | | | | | |
| Internal balances | 99,780 | (112,093) | | 19,548 | 7,235 |
| Restricted Assets: | | | | | |
| Cash and cash equivalents | 4,086,255 | 257,069 | 63,743 | 4,407,067 | |
| TOTAL ASSETS | \$ 1,898,935 | 3,974,162 | 262,066 | \$ 163,223 | \$ 6,298,386 |
| LIABILITIES: | | | | | |
| Accounts payable and accrued expenses | \$ 382,101 | | | \$ 36,537 | \$ 418,638 |
| Accrued salaries | 45,520 | | | 1,554 | 47,074 |
| Total Liabilities | 427,621 | | | 38,091 | 465,712 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Deferred Inflows - Property taxes | 12,828 | | 4,721 | | 17,549 |
| Deferred Inflows - Warrants | 285,804 | | | | 285,804 |
| Total Deferred Inflows of Resources | 298,632 | - | 4,721 | - | 303,353 |
| Total liabilities and deferred inflows of resources | 726,253 | | 4,721 | 38,091 | 769,065 |
| FUND BALANCE: | | | | | |
| Restricted for: | | | | | |
| Beautification | 15,545 | | | | 15,545 |
| Law Enforcement | 3,560 | | | | 3,560 |
| Construction | | 3,974,162 | | | 3,974,162 |
| Debt Service | | | 257,345 | | 257,345 |
| Tourism Promotion | | | | 125,132 | 125,132 |
| Unassigned | 1,153,577 | | | | 1,153,577 |
| Total Fund Balance | 1,172,682 | 3,974,162 | 257,345 | 125,132 | 5,529,321 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 1,898,935 | \$ 3,974,162 | \$ 262,066 | \$ 163,223 | \$ 6,298,386 |

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

CITY OF EARLY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$ 5,529,321 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| <p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$21,481,846 and the accumulated depreciation was \$8,357,942. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.</p> | |
| | 13,123,904 |
| <p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. There were current year capital asset purchases in the governmental funds.</p> | |
| | 2,221,135 |
| <p>Depreciation and amortization expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation and accumulated amortization. The net effect of the current year depreciation expense is to decrease net position.</p> | |
| | (781,332) |
| <p>Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. The net effect of recognizing long term debt in the governmental activities is a decrease to net position..</p> | |
| | (5,926,261) |
| <p>Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements.</p> | |
| | (67,486) |
| <p>Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue is recognized in the government-wide financial statements. This results in an increase in net position.</p> | |
| | 303,353 |
| <p>Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension liability of \$69,970, a deferred inflow of resources of \$271,358, and a deferred outflow of resources of \$305,241. The net effect is to decrease net position.</p> | |
| | (36,087) |
| <p>Included on the government-wide financial statements is the recognition of the City's proportionate share of the total OPEB liability of \$45,286, a deferred outflow of resources of \$11,355, and a deferred inflow of resources of \$22,460. The net effect is to decrease net position.</p> | |
| | (56,391) |
| Net Position of Governmental Activities | \$ <u>14,310,156</u> |

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

CITY OF EARLY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2024

| | General Fund | Capital Projects Fund | Debt Service Fund | Nonmajor Governmental | Total Governmental Funds |
|---|---------------------|-----------------------------|-------------------------|--------------------------|--------------------------------|
| REVENUE: | | | | | |
| Ad valorem taxes | \$ 1,036,540 | \$ 554,825 | \$ 4,153 | | \$ 1,591,365 |
| Penalty and interest | 8,029 | | | | 12,182 |
| City sales tax | 2,037,481 | | | | 2,037,481 |
| Franchise taxes | 161,436 | | | | 161,436 |
| Other taxes | 22,722 | | | 223,482 | 246,204 |
| Municipal court revenue | 195,029 | | | | 195,029 |
| Fees and permits | 32,710 | | | | 32,710 |
| Interest earned | 93,596 | 175,459 | 8,500 | 4,096 | 281,651 |
| Grants and contributions | 341,960 | | | | 341,960 |
| Intergovernmental | 216,204 | | | | 216,204 |
| Visitor and Event Center Fees | - | | | 26,645 | 26,645 |
| Other revenue | 155,230 | | 1,141 | 15,681 | 172,052 |
| Total Revenue | 4,300,937 | 175,459 | 568,619 | 269,904 | 5,314,919 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 850,578 | 47,888 | | | 898,466 |
| Police | 1,190,232 | | | | 1,190,232 |
| Fire | 803,090 | | | | 803,090 |
| Street | 204,355 | | | | 204,355 |
| Parks and recreation | 401,773 | | | | 401,773 |
| Town Center | 123,712 | | | | 123,712 |
| Tourism promotion | | | | 311,290 | 311,290 |
| Visitor and Event Center expenses | | | | 28,746 | 28,746 |
| Capital outlay | 1,320,451 | 900,684 | | | 2,221,135 |
| Debt service: | | | | | |
| Principal retired | 113,142 | | 360,000 | 1,237 | 474,379 |
| Interest | 18,306 | | 309,906 | 35 | 328,247 |
| Total Expenditures | 5,025,639 | 948,572 | 669,906 | 341,308 | 6,985,425 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (724,702) | (773,113) | (101,287) | (71,404) | (1,670,506) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of assets | | | | | |
| Proceeds from the issuance of debt | 156,678 | | | | 156,678 |
| Transfers in (out) | (527,438) | 828,676 | 298,763 | - | 600,001 |
| Total other financing sources (uses) | (370,760) | 828,676 | 298,763 | - | 756,679 |
| CHANGE IN FUND BALANCE | (1,095,462) | 55,563 | 197,476 | (71,404) | (913,827) |
| FUND BALANCE AT BEGINNING OF YEAR | 2,268,144 | 3,918,599 | 59,869 | 196,536 | 6,443,148 |
| FUND BALANCE AT END OF YEAR | \$ 1,172,682 | \$ 3,974,162 | \$ 257,345 | \$ 125,132 | \$ 5,529,321 |

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

CITY OF EARLY, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

| | |
|--|--------------------------|
| Net Change in Fund Balances - Governmental Funds | \$ (913,827) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. | 2,221,135 |
| Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense is to decrease net position. | (781,332) |
| The issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net increase to net position. | 433,844 |
| Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements. | (35,219) |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements results in a decrease in net position. | (310,745) |
| Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause a decrease in net position. | (208,619) |
| Certain expenditures for OPEB that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the OPEB expense must be recognized. These cause a decrease in net position. | <u>(6,044)</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 399,193</u></u> |

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

CITY OF EARLY, TEXAS
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

| | Water Fund | Sewer Fund | Sanitation Fund | Property Management Fund | Total Proprietary Funds |
|--|---------------------|---------------------|--------------------|--------------------------------|-------------------------------|
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 509,356 | \$ 1,087,711 | \$ 183,697 | \$ 20,003 | \$ 1,800,767 |
| Accounts receivable, net | 164,077 | 65,194 | 54,821 | - | 284,092 |
| Internal balances | (27,404) | 7,827 | 28,603 | - | 9,026 |
| Inventory | 40,332 | 11,941 | - | - | 52,273 |
| Prepaid bond insurance | 8,915 | - | - | - | 8,915 |
| Total Current Assets | 695,276 | 1,172,673 | 267,121 | 20,003 | 2,155,073 |
| Noncurrent Assets: | | | | | |
| Non-depreciable capital assets | 128,145 | 209,476 | - | 197,521 | 535,142 |
| Depreciable capital assets, net | 6,315,517 | 7,692,071 | 540,795 | 1,119,984 | 15,668,367 |
| Total Noncurrent Assets | 6,443,662 | 7,901,547 | 540,795 | 1,317,505 | 16,203,509 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Unamortized bond refunding charges | 411,955 | - | - | - | 411,955 |
| Deferred outflows - pension | 46,130 | 18,148 | 24,287 | - | 88,565 |
| Deferred outflows - OPEB | 1,716 | 675 | 903 | - | 3,294 |
| Total Deferred Outflows of Recources | 459,801 | 18,823 | 25,190 | - | 503,814 |
| Total Assets and Deferred Outflows of Resources | 7,598,739 | 9,093,043 | 833,106 | 1,337,508 | 18,862,396 |
| LIABILITIES: | | | | | |
| Accounts payable and accrued expenses | 7,767 | 11,804 | 4,470 | - | 24,041 |
| Accrued interest | 8,582 | - | - | - | 8,582 |
| Utility deposits | 118,480 | - | - | - | 118,480 |
| Notes payable - current | - | - | 49,143 | - | 49,143 |
| Certificates of obligation - current | 265,000 | 80,000 | - | - | 345,000 |
| Total current | 399,829 | 91,804 | 53,613 | - | 545,246 |
| Long term liabilities: | | | | | |
| Compensated absences | 12,050 | 2,560 | 1,027 | - | 15,637 |
| Notes payable | - | - | 288,652 | - | 288,652 |
| Certificates of obligation | 3,544,391 | 7,660,000 | - | - | 11,204,391 |
| Net pension liability | 10,574 | 4,160 | 5,567 | - | 20,301 |
| Net OPEB liability | 6,844 | 2,692 | 3,603 | - | 13,139 |
| Total Liabilities | 3,973,688 | 7,761,216 | 352,462 | - | 12,087,366 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows - pension | 41,010 | 16,133 | 21,590 | - | 78,733 |
| Deferred inflows - OPEB | 3,394 | 1,336 | 1,787 | - | 6,517 |
| Deferred inflows - Unearned revenue | - | - | - | - | - |
| Total Deferred Inflows of Resources | 44,404 | 17,469 | 23,377 | - | 85,250 |
| NET POSITION: | | | | | |
| Net investment in capital assets | 2,634,271 | 161,547 | 203,000 | 1,317,505 | 4,316,323 |
| Restricted | 8,915 | - | - | - | 8,915 |
| Unrestricted | 937,461 | 1,152,811 | 254,267 | 20,003 | 2,364,542 |
| Total Net Position | \$ 3,580,647 | \$ 1,314,358 | \$ 457,267 | \$ 1,337,508 | \$ 6,689,780 |

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

CITY OF EARLY, TEXAS
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2024

| | Water Fund | Sewer Fund | Sanitation Fund | Property Management Fund | Total Proprietary Funds |
|--|----------------------------|----------------------------|--------------------------|--------------------------------|-------------------------------|
| OPERATING REVENUE: | | | | | |
| Charges for services | \$ 1,650,516 | \$ 807,826 | \$ 674,340 | \$ - | \$ 3,132,682 |
| Rent income | - | - | - | 41,648 | 41,648 |
| Other income | 9,198 | 4,160 | 231 | - | 13,589 |
| Total Operating Revenue | <u>1,659,714</u> | <u>811,986</u> | <u>674,571</u> | <u>41,648</u> | <u>3,187,919</u> |
| OPERATING EXPENSES: | | | | | |
| Personnel costs | 431,215 | 195,871 | 237,268 | - | 864,354 |
| Materials, supplies and services | 474,044 | 33,962 | 60,905 | - | 568,911 |
| Maintenance and operations | 209,429 | 212,520 | 70,325 | - | 492,274 |
| Depreciation and amortization | 369,267 | 355,498 | 93,835 | 42,836 | 861,436 |
| Contractual remittances | - | - | - | 30,547 | 30,547 |
| Support services | 39,096 | 19,848 | 21,108 | - | 80,052 |
| Other | 5,500 | 28,359 | 157,331 | - | 191,190 |
| Total Operating Expenses | <u>1,528,551</u> | <u>846,058</u> | <u>640,772</u> | <u>73,383</u> | <u>3,088,764</u> |
| Operating Income | <u>131,163</u> | <u>(34,072)</u> | <u>33,799</u> | <u>(31,735)</u> | <u>99,155</u> |
| NON-OPERATING REVENUE (EXPENSES) | | | | | |
| Interest income | 23,819 | 48,837 | 4,038 | 768 | 77,462 |
| Grants and contributions | 88,168 | 88,168 | - | - | 176,336 |
| Sale of equipment | - | - | - | - | - |
| Interest expense | <u>(102,119)</u> | <u>(157,306)</u> | <u>(19,883)</u> | <u>-</u> | <u>(279,308)</u> |
| Total Non-operating | <u>9,868</u> | <u>(20,301)</u> | <u>(15,845)</u> | <u>768</u> | <u>(25,510)</u> |
| NET INCOME BEFORE OPERATING TRANSFERS | 141,031 | (54,373) | 17,954 | (30,967) | 73,645 |
| OPERATING TRANSFERS | | | | | |
| Transfers in (out) | - | - | - | - | - |
| Total Operating Transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | 141,031 | (54,373) | 17,954 | (30,967) | 73,645 |
| NET POSITION - BEGINNING OF YEAR | 3,439,616 | 1,368,731 | 439,313 | 1,368,475 | 6,616,135 |
| NET POSITION - END OF YEAR | \$ <u>3,580,647</u> | \$ <u>1,314,358</u> | \$ <u>457,267</u> | \$ <u>1,337,508</u> | \$ <u>6,689,780</u> |

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

CITY OF EARLY, TEXAS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2024

| | Water Fund | Sewer Fund | Sanitation Fund | Property Management Fund | Total Proprietary Funds |
|---|-------------------|---------------------|--------------------|--------------------------------|-------------------------------|
| Cash flows from operating activities: | | | | | |
| Receipts from customers | \$ 1,646,945 | \$ 804,990 | \$ 670,819 | \$ 47,181 | \$ 3,169,935 |
| Receipts from other operation functions | 9,198 | 4,160 | 231 | - | 13,589 |
| Payments to suppliers | (722,232) | (251,963) | (146,391) | - | (1,120,586) |
| Payments to employees and related taxes and benefits | (398,139) | (173,637) | (213,941) | - | (785,717) |
| Payments to others | (44,596) | (48,207) | (178,439) | (41,627) | (312,869) |
| Net cash provided (used) by operating activities | <u>491,176</u> | <u>335,343</u> | <u>132,279</u> | <u>5,554</u> | <u>964,352</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Principal payments on long-term debt | (288,863) | (80,000) | (46,735) | - | (415,598) |
| Interest payments on long-term debt | (111,537) | (178,294) | (27,642) | - | (317,473) |
| Loans from other funds | 18,602 | (4,072) | 5,748 | - | 20,278 |
| Acquisition and construction of capital assets | (104,566) | (157,158) | - | - | (261,724) |
| Capital grant proceeds | 88,168 | 88,168 | - | - | 176,336 |
| Net cash provided (used) by capital and related financing activities | <u>(398,196)</u> | <u>(331,356)</u> | <u>(68,629)</u> | <u>-</u> | <u>(798,181)</u> |
| Cash flows from investing activities: | | | | | |
| Interest income | 23,819 | 48,837 | 4,038 | 768 | 77,462 |
| Net cash provided (used) by investing activities | <u>23,819</u> | <u>48,837</u> | <u>4,038</u> | <u>768</u> | <u>77,462</u> |
| Net increase (decrease) in cash and cash equivalents | 116,799 | 52,824 | 67,688 | 6,322 | 243,633 |
| Cash and cash equivalents at beginning of year | <u>392,557</u> | <u>1,034,887</u> | <u>116,009</u> | <u>13,681</u> | <u>1,557,134</u> |
| Cash and cash equivalents at end of year | <u>\$ 509,356</u> | <u>\$ 1,087,711</u> | <u>\$ 183,697</u> | <u>\$ 20,003</u> | <u>\$ 1,800,767</u> |
| Reconciliation of operating income to net cash | | | | | |
| Provided (used) by operating activities: | | | | | |
| Operating income | \$ 131,163 | \$ (34,072) | \$ 33,799 | \$ (31,735) | \$ 99,155 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 369,267 | 355,498 | 93,835 | 42,836 | 861,436 |
| (Increase) Decrease in accounts receivable | (6,751) | (2,836) | (3,521) | 5,533 | (7,575) |
| Increase (Decrease) in accounts payable | (38,759) | (5,481) | (15,161) | (11,080) | (70,481) |
| Increase (Decrease) in compensated absences | 897 | 851 | 1,027 | - | 2,775 |
| Increase (Decrease) in pension liability | 38,574 | 19,107 | 23,036 | - | 80,717 |
| Increase (Decrease) in OPEB liability | (6,395) | 2,276 | (736) | - | (4,855) |
| Increase (Decrease) in customer deposits | 3,180 | - | - | - | 3,180 |
| Net cash provided (used) by operating activities | <u>491,176</u> | <u>335,343</u> | <u>132,279</u> | <u>5,554</u> | <u>\$ 964,352</u> |

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

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

In conformity with U.S. generally accepted accounting principles, the City has considered all potential component units. The basic criterion is the governing body's ability to exercise oversight responsibility which includes financial interdependency, selection of governing authority, the designation of management, and accountability for fiscal matters.

Discretely Presented Component Units

Early Municipal Development District (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.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. An emphasis of the fund financial statements is placed on major governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds, and issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Because different measurement focuses and bases of accounting are used in the government-wide statements of net position and governmental fund statements, amounts reported as restricted fund balances in the governmental funds may be different from amounts reported as restricted net position in the statement of net position.

Property taxes, sales taxes, franchise taxes, hotel/motel taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Capital Project 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.)

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

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City also reports the nonmajor governmental special revenue fund:

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

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Within unrestricted resources, committed would be considered spent first, followed by assigned, and then unassigned amounts.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgetary Control

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.

Excess of Expenditures over Appropriations

During fiscal year 2024 in the general fund, expenditures exceeded the amended budget in several departments; however, funds were available to cover all unbudgeted expenditures with current year revenue and unrestricted fund balance. General fund expenses were more than budgeted amounts by \$503,545 and general fund revenues were less than budgeted amounts by \$753,363. Other financing sources (uses) were more than budgeted amounts by \$1,604,415. The City's overall change in fund balance compared to the amended budget reflected a positive variance of \$347,507.

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 expenditures during the reported period. Actual results could differ from those estimates.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, all cash and highly liquid investments are considered to be cash equivalents if they have an initial maturity of three months or less when purchased.

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.

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are stated at historical cost or estimated cost if actual historical cost is not available. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the lives is not capitalized.

Capital assets in the government-wide statements and the proprietary fund statements are depreciated on the straight-line method over the estimated useful lives of the respective assets. Depreciation of all exhaustible capital assets is charged as an expense against operations. The estimated useful lives of fixed assets are as follows:

| | |
|----------------------------|---------------|
| Buildings and Improvements | 10 - 40 years |
| Infrastructure | 30 - 40 years |
| Equipment | 3 - 20 years |

Right to use leased assets are recognized at the lease or SBITA commencement date and represent the City's right to use an underlying asset for the lease or SBITA term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right to use leased or SBITA assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period for the equipment leases range from 3 to 5.25 years.

Restricted Assets

Certain governmental fund assets are classified as restricted on the balance sheet and statement of net position because their use is limited by legal or contractual requirements and terms of trust agreements. These include funds restricted for debt service and improvements.

Also, certain other resources set aside for debt repayment and other purposes, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants and contract agreements. These include assets for bond debt service.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and amounts related to other postemployment benefits (OPEB) and contributions to these plans after the measurement date, but before the end of the fiscal year, and unamortized bond refunding.

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In addition to liabilities, the statement of net position will 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources for the differences between expected and actual experience related to the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

On the governmental fund financial statements, in addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the governmental funds and proprietary funds for unavailable revenues from property taxes and grant receipts.

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 addition 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 their fair value.

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.

Long-term Obligations

In the government-wide, proprietary, and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts and deferred amounts on refunding. Issuance costs are reported as expenditures in the period incurred.

The governmental fund financial statements recognize the proceeds for debt and premiums as other financing sources of the current period. Issuance costs are reported as debt service expenditures.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has no nonspendable funds for the year ended September 30, 2024.

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and restricted through debt covenants. Federal or state funds are restricted for use only for a specific use. The City has \$4,375,744 restricted funds at September 30, 2024.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to management through the budgetary process. The City has no assigned funds for the year ended September 30, 2024.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned fund balance also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Implementation of GASB Statement No. 96

As of October 1, 2023 the City adopted GASB Statement 96. The implementation of this standard establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

NOTE 2: 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

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2: DEPOSITS AND INVESTMENTS

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.

Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or pledged collateral held by the City's bank in the City's name at September 30, 2024.

The Early Municipal Development District were fully collateralized at September 30, 2024.

Custodial credit risk – deposits. Deposits in financial institutions are carried at cost which approximates fair value. At September 30, 2024, the City had cash and cash investments, which represents cash on hand, demand deposits and savings accounts at federally insured local banks. At September 30, 2024, the City's deposits were fully secured by federal depository insurance and pledged securities held by the City's agent in the City's name.

NOTE 3: ACCOUNTS RECEIVABLE

Governmental Activities

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of tax bill and are delinquent if not paid before February 1 of the year following the year in which tax is 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. The tax rate to finance general governmental services and to service the debt for the year ended September 30, 2024 was \$.39924 per \$100 valuation (.25212 for maintenance and operations and .14712 for debt service).

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the governmental fund financial statements, property tax receivable is recorded in the General Fund. At fiscal year-end, the receivable represents delinquent taxes. If the receivables are not paid within 60 days of year-end, they are recorded as deferred revenue.

Receivables included in governmental activities are as follows:

| | |
|---|-------------------|
| Property tax receivable | \$ 25,578 |
| Less: Allowance for uncollectible taxes | <u>(8,029)</u> |
| Property tax receivable, net | 17,549 |
| | |
| Warrants Receivable | \$ 802,310 |
| Less: Allowance for uncollectible taxes | <u>(516,506)</u> |
| Warrants tax receivable, net | 285,804 |
| | |
| Sales tax receivable | 350,188 |
| Occupancy tax receivable | 79,932 |
| | <u>\$ 733,473</u> |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3: ACCOUNTS RECEIVABLE – continued

Business-Type Activities

Accounts receivables in the proprietary funds include amounts due from customers primarily for water, sewer and sanitation services. An allowance has been recorded to estimate the uncollectible receivables at year end. The accounts receivables total \$307,779 (net of an allowance of \$23,687.)

NOTE 4: CAPITAL ASSETS

A summary of changes in governmental capital assets is as follows:

| <u>Government Activities:</u> | <u>Balance September 30, 2023</u> | <u>Additions/ Completions</u> | <u>Retirements/ Adjustments</u> | <u>Balance September 30, 2024</u> |
|---|---|-----------------------------------|-------------------------------------|---|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 346,353 | \$ | \$ | \$ 346,353 |
| Land use rights - easements | 54,785 | | | 54,785 |
| Construction in progress | 392,353 | 1,677,264 | (1,111,094) | 958,523 |
| Total capital assets, not being depreciated | <u>793,491</u> | <u>1,677,264</u> | <u>(1,111,094)</u> | <u>1,359,661</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 6,174,138 | 155,856 | | 6,329,994 |
| Infrastructure | 10,665,427 | 1,145,094 | | 11,810,521 |
| Machinery and equipment | 3,793,359 | 197,337 | | 3,990,696 |
| Right of use assets | 37,901 | | | 37,901 |
| Subscription asset | 17,530 | 156,678 | | 174,208 |
| Total assets being depreciated | <u>20,688,355</u> | <u>1,654,965</u> | <u>-</u> | <u>22,343,320</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,345,889) | (219,150) | | (1,565,039) |
| Infrastructure | (4,170,682) | (276,397) | | (4,447,079) |
| Machinery and equipment | (2,807,706) | (251,232) | | (3,058,938) |
| Right of use assets | (20,809) | (7,580) | | (28,389) |
| Subscription asset | (12,856) | (26,973) | | (39,829) |
| Total accumulated depreciation | <u>(8,357,942)</u> | <u>(781,332)</u> | <u>-</u> | <u>(9,139,274)</u> |
| Total capital assets being depreciated, net | <u>12,330,413</u> | <u>873,633</u> | <u>-</u> | <u>13,204,046</u> |
| Governmental activities capital assets, net | <u>\$ 13,123,904</u> | <u>\$ 2,550,897</u> | <u>\$ (1,111,094)</u> | <u>\$ 14,563,707</u> |

Business-type activities:

| | | | | |
|--|----------------------|---------------------|-------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 235,333 | \$ | \$ | \$ 235,333 |
| Water line easements | 90,332 | | | 90,332 |
| Construction in progress | 149,339 | 60,137 | | 209,476 |
| Total capital assets, not being depreciated | <u>475,004</u> | <u>60,137</u> | <u>-</u> | <u>535,141</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,750,264 | | | 1,750,264 |
| Infrastructure | 20,510,182 | 56,550 | | 20,566,732 |
| Machinery and equipment | 2,621,695 | 145,039 | | 2,766,734 |
| Total assets being depreciated | <u>24,882,141</u> | <u>201,589</u> | <u>-</u> | <u>25,083,730</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (552,020) | (43,757) | | (595,777) |
| Infrastructure | (6,646,329) | (555,432) | | (7,201,761) |
| Machinery and equipment | (1,400,669) | (217,155) | | (1,617,824) |
| Total accumulated depreciation | <u>(8,599,018)</u> | <u>(816,344)</u> | <u>-</u> | <u>(9,415,362)</u> |
| Total capital assets being depreciated, net | <u>16,283,123</u> | <u>(614,755)</u> | <u>-</u> | <u>15,668,368</u> |
| Business-type activities capital assets, net | <u>\$ 16,758,127</u> | <u>\$ (554,618)</u> | <u>\$ -</u> | <u>\$ 16,203,509</u> |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 4: CAPITAL ASSETS - continued

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

| | |
|---------------------------|--------------------------|
| Governmental activities: | |
| General government | \$ 67,371 |
| Police | 119,456 |
| Fire | 43,231 |
| Streets | 355,314 |
| Parks | 191,025 |
| Tourism | 4,935 |
| | <u><u>\$ 781,332</u></u> |
| Business-type activities: | |
| Water | \$ 324,174 |
| Sewer | 355,499 |
| Sanitation | 93,835 |
| Property Management | 42,836 |
| | <u><u>\$ 816,344</u></u> |

A summary of changes in City of Early, Texas component unit's capital assets is as follows:

| <u>Component Unit: Early Municipal Development</u> | <u>Balance</u> | | | <u>Balance</u> |
|--|----------------------|--------------------|---------------------|----------------------|
| | <u>September 30,</u> | <u>Additions/</u> | <u>Retirements/</u> | <u>September 30,</u> |
| | <u>2023</u> | <u>Completions</u> | <u>Adjustments</u> | <u>2024</u> |
| Capital assets being depreciated: | | | | |
| Furniture and Equipment | \$ 51,448 | \$ 21,339 | \$ _____ | \$ 72,787 |
| Total assets being depreciated | <u>51,448</u> | <u>21,339</u> | <u>-</u> | <u>72,787</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and Equipment | (5,145) | (10,290) | _____ | (15,435) |
| Total accumulated depreciation | <u>(5,145)</u> | <u>(10,290)</u> | <u>_____</u> | <u>(15,435)</u> |
| Total capital assets being depreciated, net | <u>46,303</u> | <u>11,049</u> | <u>-</u> | <u>57,352</u> |
| Component Unit capital assets, net | <u>\$ 46,303</u> | <u>\$ 11,049</u> | <u>\$ -</u> | <u>\$ 57,352</u> |

Depreciation expense was \$10,290 for the year ended September 30, 2024.

NOTE 5: LONG TERM DEBT

A schedule of the City's transaction in the long-term debt for the year ended September 30, 2024 is as follows:

| | <u>Balance at</u> | | | <u>Balance at</u> | <u>Due Within</u> |
|---------------------------------|-------------------|------------------|--------------------|-------------------|-------------------|
| | <u>09/30/2023</u> | <u>Additions</u> | <u>Retirements</u> | <u>09/30/2024</u> | <u>One Year</u> |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| Certificates of obligation | \$ 4,810,000 | \$ _____ | \$ (50,000) | \$ 4,760,000 | 50,000 |
| General obligation bonds | <u>895,000</u> | <u>_____</u> | <u>(310,000)</u> | <u>585,000</u> | <u>315,000</u> |
| | <u>5,705,000</u> | <u>-</u> | <u>(360,000)</u> | <u>5,345,000</u> | <u>365,000</u> |
| Bond premium | <u>222,801</u> | <u>_____</u> | <u>(19,496)</u> | <u>203,305</u> | |
| Total bonds and premiums | <u>5,927,801</u> | <u>-</u> | <u>(379,496)</u> | <u>5,548,305</u> | <u>365,000</u> |
| Notes payable | 286,489 | | (68,509) | 217,980 | 70,544 |
| Long-term lease liability | 20,280 | | (7,657) | 12,623 | 6,715 |
| SBITA liability | 9,457 | 156,678 | (38,213) | 127,922 | 31,154 |
| Compensated Absences | <u>56,283</u> | <u>11,203</u> | <u>(493,875)</u> | <u>67,486</u> | |
| | <u>6,300,310</u> | <u>167,881</u> | <u>5,974,316</u> | | <u>473,413</u> |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5: LONG TERM DEBT – continued

| | Balance at 09/30/2023 | Additions | Retirements | Balance at 09/30/2024 | Due Within One Year |
|----------------------------------|--------------------------|----------------|------------------|--------------------------|------------------------|
| <i>Business-Type Activities:</i> | | | | | |
| Certificates of obligation | \$ 7,820,000 | \$ (80,000) | \$ 7,740,000 | 80,000 | |
| General obligation bonds | 3,800,000 | (260,000) | 3,540,000 | 265,000 | |
| | 11,620,000 | - | (340,000) | 11,280,000 | 345,000 |
| Bond premium | 298,254 | (28,863) | 269,391 | | |
| Total bonds and premiums | 11,918,254 | (368,863) | 11,549,391 | 345,000 | |
| Notes payable | 384,529 | | (46,734) | 337,795 | 49,143 |
| Compensated Absences | 12,861 | 2,776 | 15,637 | | |
| | 12,315,644 | 2,776 | (415,597) | 11,902,823 | 394,143 |
| Total Primary Government | <u>18,615,954</u> | <u>170,657</u> | <u>(909,472)</u> | <u>17,877,139</u> | <u>867,556</u> |

A summary of changes in City of Early, Texas component unit's long-term debt is as follows:

| | Balance at 09/30/2023 | Additions | Retirements | Balance at 09/30/2024 | Due Within One Year |
|---|--------------------------|--------------|------------------|--------------------------|------------------------|
| <i>Component Unit: Early Municipal Development District</i> | | | | | |
| Notes Payable | \$ 1,811,976 | \$ (134,929) | \$ 1,677,047 | 144,291 | |
| Compensated Absences | 6,572 | 2,297 | 8,869 | | |
| | <u>1,818,548</u> | <u>2,297</u> | <u>(134,929)</u> | <u>1,685,916</u> | <u>144,291</u> |

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 bonds follows:

| | Date of Issue | Original Amount | Interest Rate | Maturity Date | Amount Outstanding 9/30/2024 |
|--|---------------|--------------------|---------------|------------------|------------------------------------|
| <i>Combination Tax and Revenue Certifications of Obligations</i> | | | | | |
| Series 2017 | 2/15/2017 | \$ 1,125,000 | 2.0 to 4.0% | 2/15/2037 | \$ 585,000 |
| Series 2023 | 2/15/2023 | 3,935,000 | 4.25 to 5.0% | 2/15/2043 | 825,000 |
| <i>General Obligation Refunding Bonds</i> | | | | | |
| Series 2019 | 12/5/2019 | 1,805,000 | 3.0% | 2/15/2027 | <u>3,935,000</u> |
| | | | | | <u>\$ 5,345,000</u> |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5: LONG TERM DEBT – continued

The following represents the future maturities on these bonds:

| | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|--------------|
| Long Term Bonds: | | | | |
| <i>Governmental Activities</i> | | | | |
| 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 | 240,000 | 192,325 | 432,325 | |
| 2030-2034 | 1,345,000 | 779,325 | 2,124,325 | |
| 2035-2039 | 1,530,000 | 429,650 | 1,959,650 | |
| 2040-2044 | 1,270,000 | 110,713 | 1,380,713 | |
| | <u>\$ 5,345,000</u> | <u>\$ 2,372,788</u> | <u>\$ 7,717,788</u> | |

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

| | <u>Date of Issue</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount Outstanding 9/30/2024</u> |
|---------------|----------------------|------------------------|----------------------|----------------------|-------------------------------------|
| American Bank | 12/29/2021 | \$ 353,022 | 2.97% | 12/29/2026 | \$ 217,980 |

The following represents the future maturities on this note:

| | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|------------------|-------------------|--------------|
| Notes Payable: | | | | |
| <i>Governmental Activities:</i> | | | | |
| 2025 | \$ 70,544 | \$ 6,474 | \$ 77,018 | |
| 2026 | 72,639 | 4,379 | 77,018 | |
| 2027 | 74,797 | 2,221 | 77,018 | |
| | <u>\$ 217,980</u> | <u>\$ 13,074</u> | <u>\$ 231,054</u> | |

Leases Liabilities

The City is a lessee in noncancelable operating leases for the right to use office equipment. The City has recorded a right to use asset and liability at the lease commencement date based on the present value of the future lease payments over the expected lease terms. The right of use asset is amortized on a straight-line basis over the life of the lease, and the asset is recognized on the statement of net position with the depreciable capital assets. The lease liability is calculated based on the present value of the non-cancelable payments over the term of the lease and is recognized as a right to use liability on the statement of net position.

The details of the lease agreements are as follows:

| | <u>Date of Issue</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount Outstanding 9/30/2024</u> |
|-----------------------------------|----------------------|------------------------|----------------------|----------------------|-------------------------------------|
| Canon-City Hall | 6/18/2020 | \$ 7,603 | 2.97% | 5/18/2025 | \$ 1,080 |
| Canon-Police | 3/10/2020 | 5,908 | 2.94% | 2/10/2025 | 526 |
| Canon-Early Visitors Event Center | 3/3/2023 | 4,144 | 5.42% | 2/3/2038 | 2,951 |
| Canon-Doc Admin | 8/26/2021 | 20,246 | 5.42% | 7/26/2026 | 8,066 |
| | | | | | <u>12,623</u> |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5: LONG TERM DEBT – continued

The following represents the future maturities on long-term leases:

Long-term Lease Liabilities

Governmental Activities:

| | | | |
|------|------------------|---------------|------------------|
| 2025 | \$ 6,715 | \$ 487 | \$ 7,202 |
| 2026 | 4,618 | 189 | 4,807 |
| 2027 | 900 | 48 | 948 |
| 2028 | 390 | 5 | 395 |
| | <u>\$ 12,623</u> | <u>\$ 729</u> | <u>\$ 13,352</u> |

Subscription Liabilities

The City entered into long-term agreements to utilize software. The software agreements met the requirements from Governmental Accounting Standards Board (GASB) No. 96, *Subscription-Based Technology Arrangements*. The City has recorded a subscription asset and a subscription liability at the contract commencement date based on the present value of the future payments over the expected agreement terms. The subscription asset is amortized on a straight-line basis over the life of the contract, and the asset is recognized on the statement of net position with the depreciable capital assets. The subscription liability is calculated based on the present value of the non-cancelable payments over the term of the agreements and is recognized as a subscription liability on the statement of net position.

The details of the subscription-based technology arrangements are as follows:

| | Date of Issue | Original Amount | Interest Rate | Maturity Date | Amount Outstanding 9/30/2024 |
|-----------------------|---------------|-----------------|---------------|---------------|------------------------------|
| Provox Systems | 12/1/2020 | \$ 17,530 | 5.42% | 12/1/2025 | \$ 6,470 |
| AXON Enterprise, Inc. | 1/31/2024 | 105,155 | 5.42% | 1/31/2028 | 86,282 |
| AXON Enterprise, Inc. | 1/31/2024 | 51,523 | 5.42% | 1/31/2028 | 35,170 |
| | | | | | 127,922 |

The following represents the future maturities on SBITA liabilities:

Subscription Based It Arrangements

Governmental Activities:

| | | | |
|------|------------|-----------|------------|
| 2025 | \$ 31,154 | \$ 6,930 | \$ 38,084 |
| 2026 | 32,842 | 5,242 | 38,084 |
| 2027 | 31,120 | 3,464 | 34,584 |
| 2028 | 32,806 | 1,778 | 34,584 |
| | \$ 127,922 | \$ 17,414 | \$ 145,336 |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5: LONG TERM DEBT – continued

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:

| | <u>Date of Issue</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount Outstanding</u> 9/30/2024 |
|--|----------------------|------------------------|----------------------|----------------------|--|
| Combination Tax and Revenues | | | | | |
| Certificates of Obligation Series 2015 | 4/15/2016 | \$ 8,365,000 | 0 to 2.25% | 2/15/2046 | \$ 7,740,000 |
| General Obligation Refunding Bonds | | | | | |
| Series 2016 | 5/1/2016 | 4,910,000 | 2.0 to 4.0% | 2/15/2035 | <u>3,540,000</u> |
| | | | | | <u>\$ 11,280,000</u> |

The following represents the future maturities on these bonds:

| <i>Business-type activities:</i> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|----------------------|---------------------|----------------------|
| 2025 | \$ 345,000 | \$ 298,645 | \$ 643,645 |
| 2026 | 355,000 | 289,445 | 644,445 |
| 2027 | 370,000 | 278,377 | 648,377 |
| 2028 | 380,000 | 365,387 | 745,387 |
| 2029 | 395,000 | 251,859 | 646,859 |
| 2030-2034 | 2,190,000 | 1,035,281 | 3,225,281 |
| 2035-2039 | 2,755,000 | 658,283 | 3,413,283 |
| 2040-2044 | 3,135,000 | 330,088 | 3,465,088 |
| 2045-2049 | <u>1,355,000</u> | <u>30,656</u> | <u>1,385,656</u> |
| | <u>\$ 11,280,000</u> | <u>\$ 3,538,021</u> | <u>\$ 14,818,021</u> |

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

| | <u>Date of Issue</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount Outstanding</u> 9/30/2024 |
|---------------------------|----------------------|------------------------|----------------------|----------------------|--|
| First Security State Bank | 5/17/2023 | \$ 384,412 | 5.42% | 5/17/2030 | \$ 337,795 |

The following represents the future maturities on these notes:

| <i>Business-type activities:</i> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|-------------------|------------------|-------------------|
| 2025 | \$ 49,143 | \$ 18,299 | \$ 67,442 |
| 2026 | 51,805 | 15,637 | 67,442 |
| 2027 | 54,611 | 12,831 | 67,442 |
| 2028 | 57,571 | 9,871 | 67,442 |
| 2029 | 60,689 | 6,753 | 67,442 |
| 2030 | <u>63,976</u> | <u>3,466</u> | <u>67,442</u> |
| | <u>\$ 337,795</u> | <u>\$ 66,857</u> | <u>\$ 404,652</u> |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5: LONG TERM DEBT – continued

Discretely Presented Component Unit

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 9/30/2024 |
|----------------|---------------|--------------------|---------------|------------------|------------------------------------|
| Southside Bank | 10/15/2019 | \$ 675,000 | 4.32% | 10/15/2039 | \$ 556,580 |
| Southside Bank | 3/27/2020 | 500000 | 3.97% | 3/1/2030 | 322,267 |
| Simmons Bank | 11/30/2022 | 202700 | 6.65% | 11/30/2032 | 187,785 |
| Southside Bank | 7/21/2023 | 658775 | 6.70% | 7/21/2033 | <u>610,415</u> |
| | | | | | <u><u>\$ 1,677,047</u></u> |

The following represents the future maturities on these notes:

| Notes Payable: | Principal | Interest | Total |
|------------------------------|----------------------------|--------------------------|----------------------------|
| <i>Component Unit: Early</i> | | | |
| 2025 | | | |
| 2025 | \$ 144,291 | \$ 89,112 | \$ 233,403 |
| 2026 | 150,831 | 82,572 | 233,403 |
| 2027 | 158,876 | 74,527 | 233,403 |
| 2028 | 167,376 | 66,027 | 233,403 |
| 2029 | 176,358 | 57,046 | 233,404 |
| 2030-2034 | 653,896 | 146,563 | 800,459 |
| 2035-2039 | <u>225,419</u> | <u>30,052</u> | <u>255,471</u> |
| | <u><u>\$ 1,677,047</u></u> | <u><u>\$ 545,899</u></u> | <u><u>\$ 2,222,946</u></u> |

NOTE 6: RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The City has purchased commercial insurance to insure against these losses. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 7: PENSION PLAN

A. Plan Description

The City of Early participates as one of 936 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 7: PENSION PLAN - continued

B. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for the plan years 2023 and 2024 were as follows:

| | |
|---|---------------------------|
| Employee deposit rate: | 5.0% |
| Employer deposit rate (2023/2024) | 5.71%/5.72% |
| Matching ratio (City to employee): | 2 to 1 |
| Years required for vesting: | 5 years |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/25 |
| Updated service credit | 100% Repeating, Transfers |
| Annuity increase (to retirees) | 50% of CPI Repeating |

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 13 |
| Inactive employees entitled to but not yet receiving benefits | 15 |
| Active employees | 44 |
| Total | 72 |

C. Contributions

The contribution rates for employees in the TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability

Employees for the City of Early were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Early were 5.71% and 5.72% in calendar years 2023 and 2024 respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$134,140, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 7: PENSION PLAN - continued

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 2.75% per year |
| 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 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with 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 the most recent Scale MP-2021 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, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumptions for Annuity Purchase Rates (APR's) is based on the Mortality Investigation Study covering 2009 to 2011 and dated December 31, 2023. 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 needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global Equity | 35.0% | 6.7% |
| Core Fixed Income | 6.0% | 4.7% |
| Non-Core Fixed Income | 20.0% | 8.0% |
| Other public and private markets | 12.0% | 8.0% |
| Real Estate | 12.0% | 7.6% |
| Hedge Funds | 5.0% | 6.4% |
| Private Equity | 10.0% | 11.6% |
| Total | 100.0% | |

CITY OF EARLY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2024

NOTE 7: PENSION PLAN - continued

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 employees. 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 (a)-(b) |
| Balance as 12/31/2022 | \$ 3,123,576 | \$3,265,386 | \$ (141,810) |
| Changes for the year: | | | |
| Service cost | 220,227 | | 220,227 |
| Interest | 237,379 | | 237,379 |
| Change of benefit terms | 345,694 | | 345,694 |
| Difference between expected and actual experience | 7,319 | | 7,319 |
| Changes of assumptions | (11,849) | | (11,849) |
| Contributions – employer | | 84,489 | (517,700) |
| Contributions – employee | | 104,275 | (104,275) |
| Net Investment Income | | 376,840 | (376,840) |
| Benefit Payments, including refunds of employee contributions | (125,318) | (125,318) | |
| Administrative expense | | (2,404) | 2,404 |
| Other changes | | (17) | 17 |
| Net Changes | 673,452 | 437,865 | 235,587 |
| Balance 12/31/2023 | \$ 3,797,028 | \$ 3,703,251 | \$ 93,777 |

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 | \$ 612,655 | \$ 93,777 | \$(339,663) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF EARLY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2024

NOTE 7: PENSION PLAN - continued

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

For the year ended September 30, 2024, the City recognized pension expense (benefit) of \$425,111.

At September 30, 2024, 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 | \$ 17,826 | \$ 147,437 |
| Changes in actuarial assumptions | 1,277 | 9,762 |
| Difference between projected and actual investment earnings | 290,700 | 206,488 |
| Contributions subsequent to the measurement date | 99,296 | |
| Total | \$ 409,099 | \$ 363,687 |

\$99,296 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 December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31: | |
|-------------------------|------------------|
| 2024 | (19,977) |
| 2025 | (27,920) |
| 2026 | 35,274 |
| 2027 | (40,721) |
| 2028 | (540) |
| Thereafter | 0 |
| Total | \$ 53,884 |

NOTE 8: SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System known as the Supplemental Death Benefits Fund (SDB). The SDB plan includes coverage for both active and retiree members and assets are comingled for the payment of such benefits. The SDB plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement Number 75. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDB by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8: SUPPLEMENTAL DEATH BENEFITS FUND – continued

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the SDB:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 8 |
| Inactive employees entitled to but not yet receiving benefits | 2 |
| Active employees | <u>44</u> |
| Total | 54 |

OPEB Liability

The City's total OPEB liability of \$60,694 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------|------------------------------------|
| Inflation | 2.5% per year |
| Salary increases | 3.6% to 11.85% including inflation |
| Discount rate | 3.77% per year |

Administrative 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 by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

| Changes in the OPEB Liability | Total OPEB Liability (a) |
|---|-------------------------------------|
| Balance as 12/31/2022 | \$ 57,386 |
| Changes for the year: | |
| Service cost | 3,545 |
| Interest on total OPEB liability | 2,354 |
| Change of benefit terms | |
| Difference between expected and actual experience | (3,264) |
| Changes in assumptions or other inputs | 2,758 |
| Benefit Payments | (2,085) |
| Other changes | |
| Net Changes | 3,308 |
| Balance 12/31/2023 | <u>\$ 60,694</u> |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8: SUPPLEMENTAL DEATH BENEFITS FUND – continued

Sensitivity of the OPEB Liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

| | 1% Decrease in Discount Rate (2.77%) | Discount Rate (3.77%) | 1% Increase in Discount Rate (4.77%) |
|-----------------------|---|-----------------------|---|
| City's OPEB Liability | 71,949 | 60,694 | 51,646 |

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

For the year ended September 30, 2024, the City recognized OPEB expense (benefit) of \$3,552.

At September 30, 2024, 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 economic experience | \$ - | \$ - |
| Changes in actuarial assumptions | 1,526 | 8,556 |
| Difference between projected and actual investment earnings | 11,953 | 21,546 |
| Contributions subsequent to the measurement date | 1,739 | |
| Total | \$ 15,218 | \$ 30,102 |

The deferred outflows balance includes contributions subsequent to the measurement date of \$1,739. This amount will be recognized as a reduction of the OPEB liability for the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended December 31: | |
|-------------------------|-----------------|
| 2024 | (2,653) |
| 2025 | (2,219) |
| 2026 | (2,221) |
| 2027 | (4,472) |
| 2028 | (3,905) |
| Thereafter | (1,153) |
| Total | (16,623) |

CITY OF EARLY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9: PRIOR PERIOD ADJUSTMENTS

The following summary shows the changes in the statement of financial position accounts at October 1, 2023:

| | Governmental Activities | General Fund |
|---|----------------------------|---------------------|
| Governmental Activities - Net Position: | | |
| Beginning Net Position / Fund Balance as of September 30, 2023 | \$ 13,874,563 | \$ 2,224,144 |
| Right of Use Assets - Leases, net | 13,039 | |
| Right of Use Assets - SBITA, net | 4,674 | |
| Long-term lease Liabilities | (15,856) | |
| Long-term SBITA Liabilities | (9,457) | |
| Grants receivable | <u>44,000</u> | <u>44,000</u> |
| Restated Net Position / Fund Balance as of September 30, 2023 | <u>\$ 13,910,963</u> | <u>\$ 2,268,144</u> |

SUPPLEMENTAL INFORMATION

CITY OF EARLY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2024

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|----------------------------|---------------------|--|
| REVENUE: | | | | |
| Ad valorem taxes | \$ 925,616 | \$ 925,616 | \$ 1,036,540 | \$ 110,924 |
| Penalty and interest | 6,000 | 6,000 | 8,029 | 2,029 |
| City sales tax | 1,775,000 | 1,775,000 | 2,037,481 | 262,481 |
| Franchise taxes | 147,000 | 147,000 | 161,436 | 14,436 |
| Other taxes | 25,000 | 25,000 | 22,722 | (2,278) |
| Municipal court revenue | 99,504 | 99,504 | 195,029 | 95,525 |
| Fees and permits | 24,000 | 24,000 | 32,710 | 8,710 |
| Interest earned | 8,050 | 8,050 | 93,596 | 85,546 |
| Grants and contributions | 1,161,450 | 1,761,450 | 341,960 | (1,419,490) |
| Intergovernmental | 239,680 | 239,680 | 216,204 | (23,476) |
| Other revenue | 43,000 | 43,000 | 155,230 | 112,230 |
| Total Revenue | 4,454,300 | 5,054,300 | 4,300,937 | (753,363) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 515,578 | 583,078 | 850,578 | (267,500) |
| Police | 1,369,300 | 1,135,400 | 1,190,232 | (54,832) |
| Fire | 822,508 | 822,508 | 803,090 | 19,418 |
| Street | 222,500 | 222,500 | 204,355 | 18,145 |
| Parks and recreation | 459,800 | 459,800 | 401,773 | 58,027 |
| Town Center | 24,000 | 24,000 | 123,712 | (99,712) |
| Capital outlay | 584,000 | 1,197,708 | 1,320,451 | (122,743) |
| Debt service: | | | | |
| Principal retired | 68,591 | 68,591 | 113,142 | (44,551) |
| Interest | 8,509 | 8,509 | 18,306 | (9,797) |
| Total Expenditures | 4,074,786 | 4,522,094 | 5,025,639 | (503,545) |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | | | | |
| | \$ 379,514 | \$ 532,206 | \$ (724,702) | \$ (1,256,908) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt | - | - | 156,678 | 156,678 |
| Transfers in (out) | (1,413,251) | (1,975,175) | (527,438) | 1,447,737 |
| Total other financing sources (uses) | (1,413,251) | (1,975,175) | (370,760) | 1,604,415 |
| CHANGE IN FUND BALANCE | (1,033,737) | (1,442,969) | (1,095,462) | 347,507 |
| FUND BALANCE AT BEGINNING OF | 2,268,144 | 2,268,144 | 2,268,144 | - |
| FUND BALANCE AT END OF YEAI | \$ 1,234,407 | \$ 825,175 | \$ 1,172,682 | \$ 347,507 |

CITY OF EARLY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 years
YEARS ENDED DECEMBER 31,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 76,068 | \$ 77,298 | \$ 85,449 | \$ 97,848 | \$ 102,859 | \$ 112,583 | \$ 127,425 | \$ 145,669 | \$ 161,788 | \$ 220,227 |
| Interest (on the Total Pension Liability) | 134,462 | 137,448 | 144,460 | 150,437 | 159,644 | 167,170 | 183,106 | 199,204 | 200,962 | 237,379 |
| Changes of benefit terms | - | - | - | - | - | - | - | - | - | 345,694 |
| Difference between expected and actual experience | (38,443) | 65,834 | (17,783) | 946 | (50,962) | 37,537 | 47,923 | (210,064) | (85,821) | 7,319 |
| Change of Assumptions | - | 39,029 | - | - | - | 23,312 | - | - | - | (11,849) |
| Benefit payments, including refunds | (104,621) | (155,478) | (138,668) | (120,905) | (109,767) | (100,034) | (123,856) | (134,306) | (99,345) | (125,318) |
| Net Change in Total Pension Liability | 67,466 | 164,131 | 73,458 | 128,326 | 101,774 | 240,568 | 234,598 | 503 | 177,584 | 673,452 |
| Total Pension Liability - Beginning | 1,935,168 | 2,002,634 | 2,166,765 | 2,240,223 | 2,368,549 | 2,470,323 | 2,710,891 | 2,945,489 | 2,945,992 | 3,123,576 |
| Total Pension Liability - Ending (a) | \$ 2,002,634 | \$ 2,166,765 | \$ 2,240,223 | \$ 2,368,549 | \$ 2,470,323 | \$ 2,710,891 | \$ 2,945,489 | \$ 2,945,992 | \$ 3,123,576 | \$ 3,797,028 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | 24,193 | \$ 26,136 | \$ 22,958 | \$ 36,808 | \$ 39,566 | \$ 44,624 | \$ 46,946 | \$ 58,758 | \$ 70,580 | \$ 84,489 |
| Contributions - Employee | 45,298 | 45,847 | 49,108 | 55,596 | 58,047 | 64,114 | 72,898 | 81,836 | 90,892 | 104,274 |
| Net Investment Income | 124,591 | 3,341 | 147,478 | 313,403 | (76,207) | 379,426 | 215,545 | 397,548 | (251,345) | 376,841 |
| Benefit payments, including refunds | (104,621) | (155,478) | (138,668) | (120,905) | (109,767) | (100,034) | (123,856) | (134,306) | (99,345) | (125,318) |
| Administrative Expense | (1,301) | (2,037) | (1,667) | (1,625) | (1,474) | (2,146) | (1,396) | (1,841) | (2,182) | (2,404) |
| Other | (104) | (101) | (90) | (83) | (77) | (65) | (53) | 13 | 2,604 | (17) |
| Net Change in Plan Fiduciary Net Position | 88,056 | (82,292) | 79,119 | 283,194 | (89,912) | 385,919 | 210,084 | 402,008 | (188,796) | 437,865 |
| Plan Fiduciary Net Position - Beginning | 2,178,006 | 2,266,062 | 2,183,770 | 2,262,889 | 2,546,083 | 2,456,171 | 2,842,090 | 3,052,174 | 3,454,182 | 3,265,386 |
| Plan Fiduciary Net Position - Ending (b) | \$ 2,266,062 | \$ 2,183,770 | \$ 2,262,889 | \$ 2,546,083 | \$ 2,456,171 | \$ 2,842,090 | \$ 3,052,174 | \$ 3,454,182 | \$ 3,265,386 | \$ 3,703,251 |
| Net Pension Liability - Ending (a)-(b) | \$ (263,428) | \$ (17,005) | \$ (22,666) | \$ (177,534) | \$ 14,152 | \$ (131,199) | \$ (106,685) | \$ (508,190) | \$ (141,810) | \$ 93,777 |
| Plan Fiduciary Net Position as a Percentage of | | | | | | | | | | |
| Total Pension Liability | 113.15% | 100.78% | 101.01% | 107.50% | 99.43% | 104.84% | 103.62% | 117.25% | 104.54% | 97.53% |
| Covered Employee Payroll | \$ 905,956 | \$ 916,942 | \$ 982,169 | \$ 1,111,910 | \$ 1,160,934 | \$ 1,282,271 | \$ 1,457,956 | \$ 1,636,725 | \$ 1,817,840 | \$ 2,085,481 |
| Net Pension Liability as a Percentage of Covered | | | | | | | | | | |
| Employee Payroll | -29.08% | -1.85% | -2.31% | -15.97% | 1.22% | -10.23% | -7.32% | -31.05% | -7.80% | 4.50% |

CITY OF EARLY, TEXAS
SCHEDULE OF CHANGES CONTRIBUTIONS AND RELATED RATIOS
Last 10 years (will ultimately be displayed)
FOR THE YEARS ENDED DECEMBER 31

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially Determined Contribution | \$ 25,624 | \$ 24,454 | \$ 33,384 | \$ 38,965 | \$ 42,877 | \$ 44,687 | \$ 56,188 | \$ 67,632 | \$ 69,245 | \$ 99,296 |
| Contributions in relation to the actuarially determined contribution | \$ 25,628 | \$ 24,458 | \$ 33,388 | \$ 38,940 | \$ 42,879 | \$ 44,687 | \$ 56,188 | \$ 67,632 | \$ 69,246 | \$ 99,296 |
| Contributions deficiency (excess) | \$ (4) | \$ (4) | \$ (4) | \$ 25 | \$ (2) | \$ - | \$ - | \$ - | \$ (1) | \$ - |
| Covered employee payroll | \$ 915,231 | \$ 989,030 | \$ 1,081,889 | \$ 1,150,884 | \$ 1,237,931 | \$ 1,360,777 | \$ 1,609,626 | \$ 1,777,378 | \$ 1,978,991 | \$ 2,346,166 |
| Contributions as a percentage of covered payroll | 2.80% | 2.47% | 3.09% | 3.38% | 3.46% | 3.28% | 3.49% | 3.81% | 3.50% | 4.23% |

NOTES TO SCHEDULE OF CONTRIBUTIONS

| | |
|--|--|
| Notes | Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months later |
| Methods and Assumptions Used to Determine Contribution Rates: | |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 20 Years (longest amortization ladder) |
| Asset Valuation Method | 10 Year smoothed market: 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period 2022. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) Pre-retirement: PUB(10) mortality table, with the 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| Other Information: | |
| Notes | Increased city matching ratio from 1.5 - 1 to 2-1 Increased statutory max to 11.5% due to plan changes |

CITY OF EARLY, TEXAS
SCHEDULE OF OPEB LIABILITY AND RELATED RATIOS
Last 10 years (will ultimately be displayed)
FOR THE YEARS ENDED DECEMBER 31

| OPEB Liability | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Service cost | \$ 2,446 | \$ 2,902 | \$ 2,436 | \$ 3,645 | \$ 5,401 | \$ 6,362 | \$ 3,545 |
| Interest on total OPEB liability | 1,787 | 1,828 | 1,871 | 1,797 | 1,604 | 1,477 | 2,354 |
| Changes of benefit terms | | | | | | | |
| Difference between expected and actual experience | | (5,080) | (64) | (313) | (7,873) | 2,104 | (3,264) |
| Change of Assumptions | 4,038 | (3,593) | 10,675 | 10,050 | 2,266 | (28,743) | 2,758 |
| Benefit payments | (556) | (580) | (641) | (583) | (1,800) | (1,818) | (2,085) |
| Net Change in OPEB Liability | 7,715 | (4,523) | 14,277 | 14,596 | (402) | (20,618) | 3,308 |
| Total OPEB Liability - Beginning | 46,341 | 54,056 | 49,533 | 63,810 | 78,406 | 78,004 | 57,386 |
| Total OPEB Liability - Ending (a) | \$ 54,056 | \$ 49,533 | \$ 63,810 | \$ 78,406 | \$ 78,004 | \$ 57,386 | \$ 60,694 |
| Covered Employee Payroll | \$ 1,111,910 | \$ 1,160,934 | \$ 1,282,271 | \$ 1,457,956 | \$ 1,636,725 | \$ 1,817,840 | \$ 2,085,481 |
| OPEB Liability as a Percentage of Covered Employee Payroll | 4.86% | 4.27% | 4.98% | 5.38% | 4.77% | 3.16% | 2.91% |