

ANNUAL FINANCIAL REPORT

City of East Tawakoni, Texas

Fiscal Year Ended December 31, 2023



**CITY OF EAST TAWAKONI, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of East Tawakoni, Texas

Members of the City Council:

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Tawakoni, Texas as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of East Tawakoni, Texas' basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Tawakoni, Texas as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension, and OPEB information be presented to supplement that basis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Respectfully Submitted,

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

March 6, 2026

CITY OF EAST TAWAKONI, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

This discussion and analysis of the City of East Tawakoni's ("City") financial performance provides an overview and analysis of the City's financial activities for the year ended December 31, 2023. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The assets exceeded liabilities of the City at the close of the fiscal year by \$3,033,118 (net position).
- The City's total net position increased by \$263,258 at the close of the year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balance of \$654,711, an increase of \$62,760, or 10.6% in comparison with the prior year. Approximately 51% of this total amount, or \$331,757, is available for spending at the City's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$331,757, or 63%, of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**CITY OF EAST TAWAKONI, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2023**

Basic Financial Statements

The first two statements (pages 13-16) in the basic financial statements are the **Government-wide Financial Statements**. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The next statements (pages 17-23) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (pages 24-37). The notes to the financial statements explain in detail some of the data contained in those statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government and streets. The business-type activities of the City include a Utility Fund consisting of sewer and garbage collection services.

The government-wide financial statements are on pages 13-16 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of East Tawakoni, like all other governmental entities in Texas, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements. All of the funds of the City of East Tawakoni can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well

**CITY OF EAST TAWAKONI, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2023**

as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund financial statements can be found on pages 17-20 of this report.

The City of East Tawakoni adopts an annual budget for its General1 Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the final budget as amended by the council; 2) the original budget adopted by council, and 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of East Tawakoni has one type of proprietary fund which is the Utility Fund. The City uses proprietary funds to account for its sewer and garbage collection services. Proprietary Funds are reported in the same way that all activities are reported in the statement of position and the statement of activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-37 of this report.

**CITY OF EAST TAWAKONI, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2023**

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 1,258,542	\$ 1,121,679	\$ 746,983	\$ 718,055	\$ 2,005,525	\$ 1,839,734
Capital assets	646,902	616,238	2,717,340	2,743,801	3,364,242	3,360,039
Total assets	1,905,444	1,737,917	3,464,323	3,461,856	5,369,767	5,199,773
Deferred outflows-pension	28,515	81,170	21,731	63,673	50,246	144,843
Current liabilities	47,934	44,762	130,312	140,973	178,246	185,735
Long-term liabilities	706,187	648,715	1,145,000	1,005,000	1,851,187	1,653,715
Total liabilities	754,121	693,477	1,275,312	1,145,973	2,029,433	1,839,450
Advanced property tax levy	330,296	342,932	-	-	330,296	342,932
Deferred covid funding	202,504	49,930	-	-	202,504	49,930
Deferred inflows-pension	49,233	45,052	38,688	34,134	87,921	79,186
	582,033	437,914	38,688	34,134	620,721	472,048
Net position:						
Net investment in capital assets	-	11,375	1,572,340	1,738,801	1,572,340	1,750,176
Restricted	277,132	322,954	434,830	450,036	711,962	772,990
Unrestricted	320,673	353,367	164,884	156,585	485,557	509,952
Total net position	\$ 597,805	\$ 687,696	\$ 2,172,054	\$ 2,345,422	\$ 2,769,859	\$ 3,033,118

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net assets of the City exceeded liabilities by, \$3,033,118, as of December 31, 2023. Net position increased by \$263,259, or 10%, for the fiscal year ended December 31, 2023.

Net investment in capital assets:

The largest portion of the City's net position, \$1,750,176, or 58%, reflects the City's investment in capital assets, (e.g. buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of East Tawakoni's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position in the amount of \$772,990, or 25%, represents external restrictions on how they may be used, or by enabling legislation. The business-type fund is the only fund with restricted net position and it is for debt service.

Unrestricted net position:

The City has an unrestricted net position of \$509,952 available for future operations of the City.

CITY OF EAST TAWAKONI, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2023

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
REVENUE						
Program Revenues						
Charge for Services	\$ 206,541	\$ 158,350	\$ 1,086,994	\$ 1,058,587	\$ 1,293,535	\$ 1,216,937
General Revenues						
Property Tax	323,889	336,543	-	-	323,889	336,543
Franchise Tax	76,203	47,219	-	-	76,203	47,219
Sales Tax	70,066	63,270	-	-	70,066	63,270
Investment Income	515	6,719	421	3,416	936	10,135
Miscellaneous	80,206	76,184	47,247	188,723	127,453	264,907
Total Revenues	<u>757,420</u>	<u>688,285</u>	<u>1,134,662</u>	<u>1,250,726</u>	<u>1,892,082</u>	<u>1,939,011</u>
EXPENSES						
Program Expenses						
General Government	115,207	230,566	-	-	115,207	230,566
Public safety & judicial services	465,785	336,874	-	-	465,785	336,874
Water & Sewer	-	-	1,049,946	1,108,313	1,049,946	1,108,313
Total Expenses	<u>580,992</u>	<u>567,440</u>	<u>1,049,946</u>	<u>1,108,313</u>	<u>1,630,938</u>	<u>1,675,753</u>
Increase (decrease) in net position before transfers	176,428	120,845	84,716	142,413	261,144	263,258
Transfers	1,888	(30,954)	(1,888)	30,954	-	-
Increase (decrease) in net position	178,316	89,891	82,828	173,367	261,144	263,258
Net Position - January 1	419,489	597,805	2,089,226	2,172,055	2,508,715	2,769,860
Prior Period Adjustments	-	-	-	-	-	-
Net Position - December 31	<u>\$ 597,805</u>	<u>\$ 687,696</u>	<u>\$ 2,172,054</u>	<u>\$ 2,345,422</u>	<u>\$ 2,769,859</u>	<u>\$ 3,033,118</u>

Financial Analysis of the City's Funds

As noted earlier, the City of East Tawakoni uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of East Tawakoni's governmental funds is to provide on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$331,757. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 63% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City did not revise the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Total revenues were less than the budgeted amounts overall. Expenditures were also less than budget overall.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The unrestricted net position of the Proprietary Fund at the end of the fiscal year amounted to of \$156,585.

Request for Information

This report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of East Tawakoni, 288 Briggs Blvd, East Texas 75472.

CITY OF EAST TAWAKONI, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2023

Capital assets - The City of East Tawakoni's capital assets for its governmental and business-type activities as of December 31, 2023, totals, \$3,360,039, net of accumulated depreciation. The capital assets include buildings, roads and bridges, machinery and equipment.

Capital Assets
As of December 31, 2023
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Infrastructure	\$ 117,036	\$ 118,782	\$ 2,628,852	\$ 2,694,182	\$ 2,745,888	\$ 2,812,964
Buildings	453,306	468,949	2,621	3,196	455,927	472,145
Machinery & Equipment	13,193	26,468	104,547	12,181	117,740	38,649
Land	32,703	32,703	7,781	7,781	40,484	40,484
Total	\$ 616,238	\$ 646,902	\$ 2,743,801	\$ 2,717,340	\$ 3,360,039	\$ 3,364,242

More detailed information about the City's capital asset activity is presented in Note F to the financial statements.

Long-term Debt - As of December 31, 2023, the City of East Tawakoni had total long-term debt outstanding of \$1,653,715 which decreased \$197,472 from the previous year.

Outstanding Long-term Debt
As of December 31, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital Leases	43,852	55,283	-	-	43,852	55,283
Bonds Payable	604,863	650,904	1,005,000	1,145,000	1,609,863	1,795,904
Total	\$ 648,715	\$ 706,187	\$ 1,005,000	\$ 1,145,000	\$ 1,653,715	\$ 1,851,187

More detailed information about the City's long-term debt is presented in Note G to the financial statements.

BASIC FINANCIAL STATEMENTS

**CITY OF EAST TAWAKONI, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and cash equivalents	\$ 465,974	\$ 152,148	\$ 618,122	\$ 65,462
Receivables (net of allowance for uncollectibles)	261,112	56,764	317,876	6,208
Restricted assets:				
Cash and cash equivalents	382,332	499,380	881,712	-
Net pension asset	12,261	9,763	22,024	-
Capital assets not being depreciated:				
Land	32,703	7,781	40,484	-
Capital assets, net of accumulated depreciation:				
Infrastructure	117,036	2,628,852	2,745,888	-
Buildings and improvements	453,306	2,621	455,927	-
Machinery and equipment	13,193	104,547	117,740	-
Total assets	1,737,917	3,461,856	5,199,773	71,670
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension	81,170	63,673	144,843	-
LIABILITIES				
Current Liabilities:				
Accounts payable	6,555	-	6,555	-
Other liabilities	19,087	12,763	31,850	-
Deposits payable	-	116,981	116,981	-
Capital lease payable	18,318	-	18,318	-
Bonds payable	46,802	140,000	186,802	-
Noncurrent liabilities:				
Capital lease payable	25,534	-	25,534	-
Net OPEB liability	19,120	11,229	30,349	-
Bonds payable	558,061	865,000	1,423,061	-
Total liabilities	693,477	1,145,973	1,839,450	-
DEFERRED INFLOW OF RESOURCES				
Deferred pension	45,052	34,134	79,186	-
Deferred covid funding	49,930	-	49,930	-
Advanced property tax levy	342,932	-	342,932	-
Total deferred inflow of resources	437,914	34,134	472,048	-
NET POSITION				
Net investment in capital assets	11,375	1,738,801	1,750,176	-
Restricted for:				
Debt service	273,109	305,927	579,036	-
Court and public safety	21,297	-	21,297	-
Capital improvements	28,548	144,109	172,657	-
Unrestricted	353,367	156,585	509,952	71,670
Total net position	\$ 687,696	\$ 2,345,422	\$ 3,033,118	\$ 71,670
Total Liabilities and Net Position	\$ 1,381,173	\$ 3,491,395	\$ 4,872,568	\$ 71,670

The accompanying notes to the basic financial statements are an integral part of this financial statement.



**CITY OF EAST TAWAKONI, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 209,344	\$ 38,692	\$ -	\$ -
Public safety & judicial services	336,874	119,658	-	-
Interest on long-term debt	21,222	-	-	-
Total governmental activities	<u>567,440</u>	<u>158,350</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Water and sewer services	1,089,070	1,058,587	-	169,362
Interest on long-term debt	19,243	-	-	-
Total business-type activities	<u>1,108,313</u>	<u>1,058,587</u>	<u>-</u>	<u>169,362</u>
Total primary government	<u>1,675,753</u>	<u>1,216,937</u>	<u>-</u>	<u>169,362</u>
Component unit:				
Economic Development Corporation	\$ 39,604	\$ -	\$ -	\$ -

General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Investment income
 Miscellaneous
 Transfers
 Total general revenues
 Change in net position
 Net position - beginning
 Net position - ending

The accompanying notes to the basic financial statements are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Activities	Total	Total
\$ (170,652)	\$ -	\$ (170,652)	\$ -
(217,216)	-	(217,216)	-
(21,222)	-	(21,222)	-
<u>(409,090)</u>	<u>-</u>	<u>(409,090)</u>	<u>-</u>
-	138,879	138,879	-
-	(19,243)	(19,243)	-
<u>-</u>	<u>119,636</u>	<u>119,636</u>	<u>-</u>
<u>(409,090)</u>	<u>119,636</u>	<u>(289,454)</u>	<u>-</u>
<u>\$ (39,604)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,604)</u>
\$ 336,543	\$ -	\$ 336,543	\$ -
63,270	-	63,270	33,808
47,219	-	47,219	-
6,719	3,416	10,135	394
76,184	19,361	95,545	9,576
(30,954)	30,954	-	-
<u>498,981</u>	<u>53,731</u>	<u>552,712</u>	<u>43,778</u>
89,891	173,367	263,258	4,174
597,805	2,172,055	2,769,860	67,496
<u>\$ 687,696</u>	<u>\$ 2,345,422</u>	<u>\$ 3,033,118</u>	<u>\$ 71,670</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2023**

	General Fund	Debt Service Fund	Total
ASSETS			
Cash and cash equivalents	565,750	\$ 282,556	\$ 848,306
Receivables (net of allowance for uncollectibles)	153,503	85,647	239,150
Total assets	<u>719,253</u>	<u>368,203</u>	<u>1,087,456</u>
LIABILITIES			
Deferred income	6,555	-	6,555
Other liabilities	10,514	-	10,514
Total liabilities	<u>17,069</u>	<u>-</u>	<u>17,069</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	16,883	5,932	22,815
Deferred covid funding	49,930	-	49,930
Advanced property tax levy	253,769	89,162	342,931
Total deferred inflows of resources	<u>320,582</u>	<u>95,094</u>	<u>415,676</u>
FUND BALANCE			
Restricted	49,845	273,109	322,954
Unassigned	331,757	-	331,757
Total fund balance	<u>381,602</u>	<u>273,109</u>	<u>654,711</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 719,253</u>	<u>\$ 368,203</u>	<u>\$ 1,087,456</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total fund balance - governmental funds balance sheet	\$ 654,711
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	1,959,524
Bonds payable and other debt obligations are not included within the governmental financial statements.	(657,289)
Accumulated depreciation has not been included in governmental fund financial statements.	(1,321,324)
Deferred inflows/outflows of resources for pensions are not reported within the fund financial statements.	36,118
Net pension asset and net OPEB liability is not due and payable is not due in the current period, and therefore, not reported within the governmental financial statements.	(6,859)
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statement.	22,815
Net position of governmental activities - statement of net position	<u>\$ 687,696</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Debt Service Fund	Total
REVENUES			
Property taxes	\$ 258,497	\$ 76,591	\$ 335,088
Franchise taxes	47,219	-	47,219
Sales tax	63,270	-	63,270
Fines and other fees	117,952	-	117,952
Permits	38,852	-	38,852
Investment income	135	6,585	6,720
Miscellaneous	48,456	24,000	72,456
Total revenues	574,381	107,176	681,557
EXPENDITURES			
Current:			
General government	191,178	-	191,178
Public safety and judicial services	323,245	-	323,245
Capital outlays:			
Debt Service			
Principal Retirement	11,431	46,041	57,472
Interest and Fiscal Agent Fees	1,368	19,854	21,222
Total expenditures	527,222	65,895	593,117
Excess (deficiency) of revenues over (under) expenditures	47,159	41,281	88,440
Other financing sources (uses)			
Transfers out	(30,954)	-	(30,954)
Intergovernmental	1,546	-	1,546
Sale of Assets	3,728	-	3,728
Total other financing sources (uses)	(25,680)	-	(25,680)
Net change in fund balance	21,479	41,281	62,760
Fund balance, beginning of year	360,123	231,828	591,951
Fund balance, end of year	\$ 381,602	\$ 273,109	\$ 654,711

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net change in fund balance - total governmental funds	\$ 62,760
Amounts reported for governmental activities in the statement of activities are different because:	
Current year long-term debt principal payments on bonds payable and contractual agreements are expenditures in the fund financial statements statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	57,472
Current year pension expense does not require the the use of current financial resources, therefore, are not reported as expenditures in the governmental financial statements.	(1,132)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(30,663)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statement.	1,454
Change in net position of governmental activities - statement of activities	<u>\$ 89,891</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2023**

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 152,148
Receivables (net of allowance for uncollectible)	56,764
Restricted cash and cash equivalents	499,380
Total current assets	<u>708,292</u>
Noncurrent assets:	
Net pension asset	9,763
Capital assets:	
Land	7,781
Building	10,212
Machinery & equipment	318,045
Infrastructure	6,039,570
Less: accumulated depreciation	<u>(3,631,807)</u>
Total noncurrent assets	<u>2,753,564</u>
Total assets	<u>3,461,856</u>
DEFERRED OUTFLOW OF RECOURCES	
Deferred pension	<u>63,673</u>
LIABILITIES	
Current liabilities:	
Other liabilities	12,763
Payable from restricted assets:	
Customer deposits	116,981
Bond payable - current	140,000
Net OPEB liability	<u>11,229</u>
Total current liabilities	<u>280,973</u>
Noncurrent Liabilities:	
Bond payable	<u>865,000</u>
Total noncurrent liabilities	<u>865,000</u>
Total liabilities	<u>1,145,973</u>
DEFERRED INFLOW OF RECOURCES	
Deferred pension	<u>34,134</u>
NET POSITION	
Net investment in capital assets	1,738,801
Restricted for:	
Debt	305,927
Capital Improvements	144,109
Unrestricted	<u>156,585</u>
Total net position	<u>\$ 2,345,422</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Utility Fund</u>
OPERATING REVENUES:	
Charges for services:	
Water and Sewer fees	\$ 1,058,587
Total operating revenues	<u>1,058,587</u>
OPERATING EXPENSES:	
Salaries and payroll expense	288,110
Supplies and materials	109,239
Utilities	20,925
Maintenance and repair	104,225
Contractual services	173,436
Water purchases	232,901
Depreciation	160,234
Total operating expenses	<u>1,089,070</u>
Operating income (loss)	<u>(30,483)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(19,243)
Bond issue costs	-
Grant expense	-
Investment income	3,416
Grant income	169,362
Miscellaneous expense	19,361
Total non-operating revenues (expenses)	<u>172,896</u>
Income (loss) before capital contributions and transfers	<u>142,413</u>
Transfers out	<u>30,954</u>
Change in net position	173,367
Net position - beginning	2,172,055
Net position - ending	<u><u>\$ 2,345,422</u></u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,045,166
Other revenues	188,723
Cash payments to employees for services	(284,145)
Cash payments to suppliers for goods and services	(640,727)
Net cash provided by (used in) operating activities	<u>309,017</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	30,954
Cash used in noncapital financing activities	<u>30,954</u>
Cash Flows from Capital and Related Financing Activities	
Interest and fiscal charges on debt	(19,243)
Acquisition of capital assets	(186,694)
Principal paid	(140,000)
Cash used in capital and related financing activities	<u>(345,937)</u>
Cash Flows from Investing Activities	
Investment earnings	3,416
Cash provided by (used in) investing activities	<u>3,416</u>
Net increase (decrease) in cash and cash equivalents	(2,550)
Cash and cash equivalents at beginning of year	654,078
Cash and cash equivalents at end of year	<u>\$ 651,528</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (30,483)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	160,234
Miscellaneous revenue	188,723
Change in assets and liabilities:	
Decrease (increase) in receivables	(65,834)
Increase (decrease) in accounts payable	5,179
Increase (decrease) in customer deposits	10,471
Increase (decrease) in other liabilities	40,727
Total adjustments	<u>339,500</u>
Net cash provided by (used in) operating activities	<u>\$ 309,017</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of East Tawakoni ("City") operates under a Mayor-Council form of government and provides general administrative services and owns and operates the sewer infrastructure.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP"), applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*, and by the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units".

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board, and is either able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including as component units entities which meet all three of the following requirements:

- the organization is legally separate (can sue and be sued in their own name);
- the City appoints a voting majority of the organization's board;
- the City is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the City; and
- there is fiscal dependency by the organization on the City.

Based upon the application of these tests, the City of East Tawakoni, Texas has one component unit, the City of East Tawakoni, Texas Economic Development Corporation.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. The evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

2. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP, which requires the government-wide financial statements to be prepared using the accrual basis of accounting, and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the government funds. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis provides an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is prepared that compares the original adopted and final amended General Fund budget with actual results.

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

The City's basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Streets, Administrative Services, etc.) or program are 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, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

The net cost by function is normally covered by general revenues, (property and sales taxes, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statement. The major governmental fund is the General Fund and Debt Service Fund. The major proprietary fund is the Utility Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The City does not have any nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer business-type fund is charges to customers for services. Operating expenses for business-type funds include the cost of sales and service, administrative expenses, and depreciation on assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus, Basis of Accounting

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

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, 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 30 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 judgments, are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund, and ad valorem tax revenues in the Proprietary Fund are recognized under the susceptible to accrual concept. Charges for services, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities, except for those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the governmental fund of the City:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreements to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs, that are not paid through other funds, are paid from the General Fund.

The **Debt Service Fund** is a cash reserve that is used to accumulate resources to pay interest and principal on the City's governmental debt.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City has one proprietary fund:

The **Water and Sewer Fund** accounts for the operations of the sanitary water and sewer utilities which is a self-supporting activity rendering services on a user-charge basis.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest in certificates of deposits, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements.

b. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring of significant components by aggregation.

Trade receivables are shown net of an allowance for uncollectible. The uncollectible amount of property tax receivables is immaterial and is not recorded.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for bond covenants.

Customer deposits received for sewer service are, by law, to be considered restricted assets. These activities are included in the Sewer Fund.

**CITY OF EAST TAWAKONI, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

d. Capital Assets

Capital assets, which includes land, buildings, equipment, and improvements, purchased or donated, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. The City defines a capital asset as an item with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost, if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Construction in progress is not depreciated until the asset is placed in service. There was no interest capitalized in the current period.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	7 - 40 years
Buildings	10 - 30 years
Building Improvements	5 - 10 years
Vehicles and Machinery	5 - 7 years

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

e. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an increase 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 governmental funds report deferred revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

f. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and netted with the long term obligations in the liabilities. The City has compared this method to the effective interest rate method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount, if any. Bond issuance costs are expensed during the year they are incurred in accordance with GASB Statement No. 65.

g. Fund Balance Policies

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* - amounts that are constrained by the City's *intent* to be used for specific purposes. The intent can be established by the City Council.
- *Unassigned fund balance* - the residual classification for the City General Fund that includes amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. Committed funds will be used first followed by assigned funds.

When both restricted and unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by the unassigned resources as they are needed.

h. Comparative Data

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**CITY OF EAST TAWAKONI, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

i. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each November, the Mayor submits to the City Council a proposed operating budget for the year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Total estimated expenditures of the General Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The Mayor and Mayor Pro-tem approval is required to approve a transfer of budgeted amounts within accounts; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets for the General Fund are legally adopted on a modified accrual basis of accounting.

C. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect the City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC").

**CITY OF EAST TAWAKONI, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

Cash Deposits:

At December 31, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,499,834 and the bank balance was \$1,533,097. The City's cash deposits at December 31, 2023, and during the year ended December 31, 2023 were entirely covered by FDIC, or pledged securities.

The following is a schedule of restricted cash as required:

Restricted Cash

Governmental Fund:		
Court Funds	\$	21,279
Police		18
CLRF Funds		49,930
Debt Service		282,556
Capital Improvements		28,549
Total	\$	<u>382,332</u>
Business-Type:		
Debt	\$	305,927
Capital Improvements		144,109
Customer deposits		49,344
Total	\$	<u>499,380</u>

Investments:

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investments' value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of non-participating interest-earning investment contracts.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Public Funds Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state or local governmental units by pledging unit. The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

D. PROPERTY TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised value at 100% estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 (immediately following the levy date) and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 30 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years, however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous years.

CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

E. RECEIVABLES

Receivables at December 31, 2024 for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Proprietary	Total
Receivables:			
Taxes	\$ 261,933	\$ -	\$ 261,933
Fees & Services	-	57,789	57,789
Allowance for Uncollectibles	(821)	(1,025)	(1,846)
Net Receivables	\$ 261,112	\$ 56,764	\$ 317,876

F. CAPITAL ASSETS

Capital asset activity for the period ended December 31, 2023 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 32,703	\$ -	\$ -	\$ 32,703
Construction In progress	-	-	-	-
Total capital assets, not being depreciated	<u>32,703</u>	<u>-</u>	<u>-</u>	<u>32,703</u>
Capital assets, being depreciated:				
Buildings & improvements	611,597	-	-	611,597
Infrastructure	1,105,195	-	-	1,105,195
Machinery & equipment	188,066	-	-	188,066
Total capital assets being depreciated	<u>1,904,858</u>	<u>-</u>	<u>-</u>	<u>1,904,858</u>
Less accumulated depreciation for:				
Buildings & improvements	(142,649)	(15,642)	-	(158,291)
Infrastructure	(986,412)	(1,747)	-	(988,159)
Machinery & equipment	(161,598)	(13,275)	-	(174,873)
Total accumulated depreciation	<u>(1,290,659)</u>	<u>(30,664)</u>	<u>-</u>	<u>(1,321,323)</u>
Total capital assets being depreciated, net	<u>614,199</u>	<u>(30,664)</u>	<u>-</u>	<u>583,535</u>
Governmental activities capital assets, net	<u>\$ 646,902</u>	<u>\$ (30,664)</u>	<u>\$ -</u>	<u>\$ 616,238</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 7,781	\$ -	\$ -	\$ 7,781
Total capital assets, not being depreciated	<u>7,781</u>	<u>-</u>	<u>-</u>	<u>7,781</u>
Capital assets, being depreciated				
Buildings & improvements	10,212	-	-	10,212
Sewer plant & infrastructure	6,040,386	-	-	6,040,386
Equipment	318,045	-	-	318,045
Total assets being depreciated	<u>6,368,643</u>	<u>-</u>	<u>-</u>	<u>6,368,643</u>
Less accumulated depreciation for:				
Buildings & improvements	(7,016)	(575)	-	(7,591)
Sewer plant & infrastructure	(3,258,662)	(152,875)	-	(3,411,537)
Equipment	(205,895)	(7,600)	-	(213,495)
Total accumulated depreciation	<u>(3,471,573)</u>	<u>(161,050)</u>	<u>-</u>	<u>(3,632,623)</u>
Total capital assets, being depreciated, net	<u>2,897,070</u>	<u>(161,050)</u>	<u>-</u>	<u>2,736,020</u>
Business-type activities capital assets, net	<u>\$ 2,904,851</u>	<u>\$ (161,050)</u>	<u>\$ -</u>	<u>\$ 2,743,801</u>

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

F. CAPITAL ASSETS (Continued)

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

Governmental activities:		
General Government		\$ 15,287
Public safety & judicial services		15,377
Total depreciation expense - governmental activities		<u>\$ 30,664</u>
Business-type activities:		
Sewer		<u>\$ 161,050</u>

G. LONG-TERM OBLIGATIONS

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts			Amounts Outstanding December 31, 2023	Due Within One Year
			Outstanding December 31, 2022	Issued	Retired		
Series 2014, Bonds	3.162%	1,147,245	650,904	-	(46,041)	604,863	46,802
Capital Lease A	3.840%	57,236	35,226	-	(11,431)	23,795	11,870
Capital Lease B	3.661%	31,592	20,057	-	-	20,057	6,448
Total		<u>\$ 1,236,073</u>	<u>\$ 706,187</u>	<u>\$ -</u>	<u>\$ (57,472)</u>	<u>\$ 648,715</u>	<u>\$ 65,120</u>

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2024	65,120	20,050	85,170
2025	67,480	17,852	85,332
2026	57,128	15,574	72,702
2027	51,937	13,705	65,642
2028	53,725	12,035	65,760
2029 to 2033	288,970	40,992	329,962
2034	64,355	1,286	65,641
Totals	<u>\$ 648,715</u>	<u>\$ 121,494</u>	<u>\$ 770,209</u>

Changes in Proprietary Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts			Amounts Outstanding December 31, 2023	Due Within One Year
			Outstanding December 31, 2022	Issued	Retired		
Series 2022, Refunding	1.70%	1,145,000	1,145,000	-	(140,000)	1,005,000	140,000
Total		<u>\$ 1,145,000</u>	<u>\$ 1,145,000</u>	<u>\$ -</u>	<u>\$ (140,000)</u>	<u>\$ 1,005,000</u>	<u>\$ 140,000</u>

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2024	140,000	16,737	156,737
2025	145,000	14,186	159,186
2026	145,000	11,590	156,590
2027	115,000	9,263	124,263
2028	150,000	6,892	156,892
2029 to 2030	310,000	5,549	315,549
Totals	<u>\$ 1,005,000</u>	<u>\$ 64,217</u>	<u>\$ 1,069,217</u>

**CITY OF EAST TAWAKONI, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

H. HEALTH CARE COVERAGE

The City offers health insurance through Texas Municipal League ("TML").

I. INSURANCE COVERAGE & RISK MANAGEMENT

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League Intergovernment Risk Pool ("TMLIRP"), a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. The City participates in TMLIRP for liability (general, automobile, and errors/omissions), and property insurance.

The City maintains a deductible of \$10,000 per accident, with an annual aggregate retention of \$300,000. For property, the City maintains a \$250 deductible. All insurance claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible.

The City is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable. TMLIRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TMLIRP for its coverages no later than October 1 of each year.

GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no liabilities incurred at the end of the current fiscal period.

There were no significant reductions in insurance coverage from the prior year.

J. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of East Tawakoni participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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 contribution, with interest, and the city-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	5	5
Inactive employees entitled to, but not yet receiving benefits	5	8
Active employees	12	12
	<u>22</u>	<u>25</u>

C. Contributions

The contribution rates for employees in 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.

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

J. DEFINED BENEFIT PENSION PLANS

C. Contributions (Continued)

Employees of the City of East Tawakoni were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates of the City of East Tawakoni were 5.63% in the 2023 calendar year. The City's contributions to TMRS for the year ended December 31, 2022, were \$25,663 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% including inflation
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, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments, with male rates multiplied by 109%, and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account of future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments are used with males rates multiplied by 109% and female rates multiplied by 103%, with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2022 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding need of TMRS.

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

J. DEFINED BENEFIT PENSION PLANS

D. Net Pension Liability (Continued)

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.78% (based on weekly rate closest to, but not later than the measurement date of the 20-year Bond Buyer Index, as published by the Federal Reserve). A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions, and the projection of cash flows, the City's fiduciary net position, and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension plan liability of the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e.the employer normal costs).

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance as 12/31/2021	\$ 844,837	\$ 980,263	\$ (135,426)
Changes for the year:			
Service cost	52,425	-	52,425
Interest	56,896	-	56,896
Changes in current period benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(16,068)	-	(16,068)
Contributions - employer	-	23,370	(23,370)
Contributions - employee	-	27,886	(27,886)
Net investment income	-	(71,525)	71,525
Benefit payments, including refunds of employee contributions	(56,290)	(56,290)	-
Administrative expense	-	(619)	619
Other changes	-	739	(739)
Net changes	<u>\$ 36,963</u>	<u>\$ (76,439)</u>	<u>\$ 113,402</u>
Balance as 12/31/2022	<u>\$ 881,800</u>	<u>\$ 903,824</u>	<u>\$ (22,024)</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
	\$ 84,661	\$ (22,024)	\$ (110,602)
	<u>\$ 84,661</u>	<u>\$ (22,024)</u>	<u>\$ (110,602)</u>

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.tmr.com.

**CITY OF EAST TAWAKONI, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

K. LITIGATION

Currently, management is unaware of significant pending litigation against the City of East Tawakoni, Texas.

L. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after December 31, 2023 up through March 6, 2026, the date the financial statements were available to be issued. No material subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF EAST TAWAKONI, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2023**

**SCHEDULE OF CONTRIBUTIONS
 LAST FOUR FISCAL YEARS (UNAUDITED)**

	2022	2021	2020	2019
Actuarially determined contribution	\$ 25,663	\$ 24,645	\$ 25,106	\$ 26,015
Contributions in relation to the actuarially determined contribution	25,663	24,645	25,106	26,015
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 419,482	\$ 398,367	\$ 399,503	\$ 323,608
Contributions as a percentage of covered employee payroll	6.12%	6.19%	6.28%	8.04%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10-year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%

Retirement Age

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

Mortality

Post Retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with a scale UMP.

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF EAST TAWAKONI, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31,2023

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS

	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
Total pension liability							
Service cost	\$ 36,898	\$ 37,076	\$ 38,297	\$ 41,745	\$ 54,053	\$ 54,156	\$ 52,425
Interest (on the Total Pension Liability)	44,878	46,567	47,076	46,729	50,516	53,015	56,896
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(934)	(1,663)	(36,602)	7,528	(20,469)	1,110	(16,068)
Change of assumptions	-	-	-	683	-	-	-
Benefit payments, including refunds of employee contributions	(30,171)	(81,621)	(68,503)	(42,755)	(50,713)	(43,548)	(56,290)
Net Change in Total Pension Liability	50,671	359	(19,732)	53,930	33,387	64,733	36,963
Total Pension Liability - Beginning	661,489	712,160	712,519	692,787	746,717	780,104	844,837
Total Pension Liability - Ending	<u>\$ 712,160</u>	<u>\$ 712,519</u>	<u>\$ 692,787</u>	<u>\$ 746,717</u>	<u>\$ 780,104</u>	<u>\$ 844,837</u>	<u>\$ 881,800</u>
Plan Fiduciary Net Position							
Contribution - employer	\$ 15,098	\$ 18,167	\$ 18,627	\$ 20,329	\$ 25,106	\$ 25,221	\$ 23,370
Contribution - employee	19,538	19,995	20,862	22,653	27,965	28,396	27,886
Net investment income	43,450	95,684	(22,210)	106,595	60,400	111,886	(71,525)
Benefit payments, including refunds of employee contributions	(30,171)	(81,621)	(68,503)	(42,755)	(50,713)	(43,548)	(56,290)
Administrative expense	(491)	(496)	(430)	(603)	(391)	(518)	(619)
Other	(26)	(25)	(21)	(19)	(15)	4	739
Net Change in Plan Fiduciary Net Position	47,398	51,704	(51,675)	106,200	62,352	121,441	(76,439)
Plan Fiduciary Net Position - Beginning	642,843	690,241	741,945	690,270	796,470	858,822	980,263
Plan Fiduciary Net Position - Ending	<u>\$ 690,241</u>	<u>\$ 741,945</u>	<u>\$ 690,270</u>	<u>\$ 796,470</u>	<u>\$ 858,822</u>	<u>\$ 980,263</u>	<u>\$ 903,824</u>
Net Pension Liability - Ending	\$ 21,919	\$ (29,426)	\$ 2,517	\$ (49,753)	\$ (78,718)	\$ (135,426)	\$ (22,024)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	96.92%	104.13%	99.64%	106.66%	110.09%	116.03%	102.50%
Covered employee payroll	\$ 279,109	\$ 285,639	\$ 298,028	\$ 323,608	\$ 399,503	\$ 405,664	\$ 398,370
Net Pension Liability as a percentage of covered employee payroll	7.85%	-10.30%	0.84%	-15.37%	-19.70%	-33.38%	-5.53%

See accompanying notes to these financial statements for more detail.

Note: Years will continue to be added until there are 10 years for comparison

**CITY OF EAST TAWAKONI, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
Total OPEB liability						
Service cost	\$ 771	\$ 894	\$ 874	\$ 3,356	\$ 3,529	\$ 3,267
Interest (on the Total OPEB Liability)	857	869	880	851	726	733
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(2,477)	(692)	(2,787)	(993)	1,611
Change of assumptions	2,022	(1,628)	5,165	4,351	1,115	(13,129)
Benefit payments, including refunds of employee contributions	(114)	(119)	(227)	(280)	(730)	(677)
Net Change in Total Pension Liability	<u>3,536</u>	<u>(2,461)</u>	<u>6,000</u>	<u>5,491</u>	<u>3,647</u>	<u>(8,195)</u>
Total OPEB Liability - Beginning	<u>22,331</u>	<u>25,867</u>	<u>23,406</u>	<u>29,406</u>	<u>34,897</u>	<u>38,544</u>
Total OPEB Liability - Ending	<u>\$ 25,867</u>	<u>\$ 23,406</u>	<u>\$ 29,406</u>	<u>\$ 34,897</u>	<u>\$ 38,544</u>	<u>\$ 30,349</u>
Covered employee payroll	\$ 285,639	\$ 298,028	\$ 323,608	\$ 399,503	\$ 405,664	\$ 398,370
Total OPEB Liability as a percentage of covered employee payroll	9.06%	7.85%	9.09%	8.74%	9.50%	7.62%

**CITY OF EAST TAWAKONI, TEXAS
GENERAL FUND-STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUE				
Property taxes	\$ 213,196	\$ 213,196	\$258,497	\$ 45,301
Franchise taxes	67,800	67,800	47,219	(20,581)
Sales tax	70,000	70,000	63,270	(6,730)
Fines and other fees	180,610	180,610	117,952	(62,658)
Permits	24,550	24,550	38,852	14,302
Interest income	-	-	135	135
Miscellaneous	39,035	39,035	48,456	9,421
Total revenues	595,191	595,191	574,381	(20,810)
EXPENDITURES				
General government				
Administration	138,276	138,276	191,178	(52,902)
Public safety and judicial services	439,329	439,329	323,245	116,084
Debt Service:				
Principal Payment	12,000	12,000	11,431	569
Interest Expense	1,500	1,500	1,368	132
Total general government	591,105	591,105	527,222	63,883
Excess (deficiency) of revenues over (under) expenditures	4,086	4,086	47,159	(84,693)
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	-	-	(30,954)	(30,954)
Intergovernmental	-	-	1,546	1,546
Sale of Assets	-	-	3,728	3,728
Total other financing sources (uses)	-	-	(25,680)	(25,680)
Net change in fund balance	4,086	4,086	21,479	
Fund Balance/Equity, October 1	360,123	360,123	360,123	
Fund Balance/Equity, September 30	\$ 364,209	\$ 364,209	\$381,602	

The accompanying notes to the basic financial statements are an integral part of this financial statement.