

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF  
CONVERSE, TEXAS**

For the Year Ended  
September 30, 2019

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# CITY OF CONVERSE, TEXAS

## TABLE OF CONTENTS

September 30, 2019

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis (Required Supplementary Information)</b>	5
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	15
Statement of Activities	16
<b>Fund Financial Statements</b>	
<b>Governmental Funds Financial Statements</b>	
Governmental Funds Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position – Proprietary Fund	27
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	29
Statement of Cash Flows – Proprietary Fund	31
<b>Notes to Financial Statements</b>	33
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	65
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System	67
Schedule of Contributions – Texas Municipal Retirement System	69
Schedule of Changes in Total OPEB Liability and Related Ratios – Texas Municipal Retirement System	71
Schedule of Changes in Total OPEB Liability and Related Ratios – Retiree Health Care Plan	73
<b><u>COMBINING STATEMENTS AND SCHEDULES</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	77
Combining Balance Sheet – Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	82

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## ***INDEPENDENT AUDITORS' REPORT***

To the Honorable Mayor and  
Members of the City Council of the  
City of Converse, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Converse, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, 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.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
April 17, 2020

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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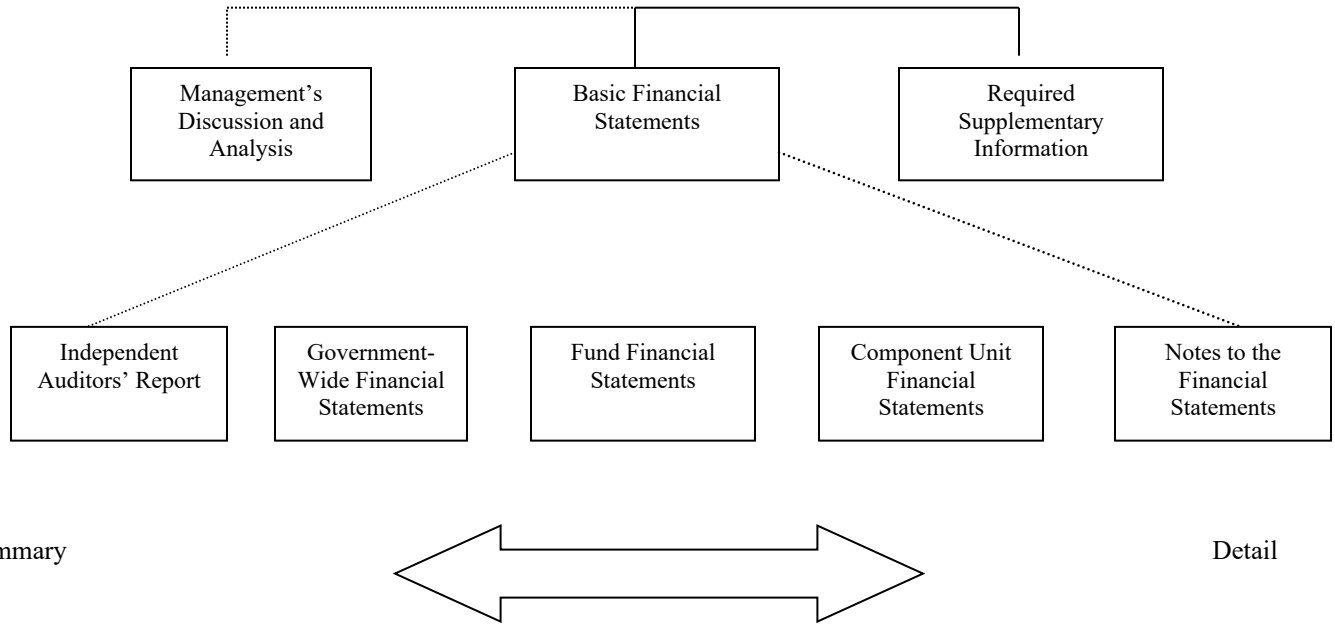


**CITY OF CONVERSE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2019

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Converse, Texas (the "City") for the year ending September 30, 2019. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

**THE STRUCTURE OF OUR ANNUAL REPORT**

**Components of the Financial Section**



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-Wide Statements**

The government-wide statements report information for the City as a whole. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

**CITY OF CONVERSE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2019**

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's basic services are reported here including general government, public safety, municipal court, fire and emergency services, public works, parks and recreation, and library. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution, garbage, drainage, and wastewater collection/treatment operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

## **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund. The general and capital projects

**CITY OF CONVERSE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2019**

funds are considered to be major funds for reporting purposes. The debt service fund did not meet the technical criteria to be presented as major but the City has elected to present it as major due to its significance.

The City adopts an annual appropriated budget for its general fund. A budget is prepared for management purposes for the debt service fund. Budgetary comparison schedules have been provided for the general and debt service funds to demonstrate compliance with these budgets.

**Proprietary Funds**

The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution, garbage, drainage, and wastewater collection/treatment operations. The proprietary fund financial statements provide separate information for the water and sewer fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI) and Other Post Employment Benefits (OPEB). The RSI includes a budgetary comparison schedule for the general fund, schedules of changes in net pension liability and related ratios and schedule of contributions for the Texas Municipal Retirement System, and a schedule of changes in total (OPEB) and related ratios for the retiree healthcare plan. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows exceed liabilities and deferred inflows by \$60,769,204 as of September 30, 2019. The largest portion of the City's net position, 77 percent, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**CITY OF CONVERSE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
For the Year Ended September 30, 2019

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 10,479,425	\$ 12,600,970	\$ 23,080,395	\$ 12,671,114	\$ 11,847,204	\$ 24,518,318
Capital assets, net	53,813,382	17,232,783	71,046,165	52,656,299	17,380,680	70,036,979
<b>Total Assets</b>	<b>64,292,807</b>	<b>29,833,753</b>	<b>94,126,560</b>	<b>65,327,413</b>	<b>29,227,884</b>	<b>94,555,297</b>
Deferred outflows - pensions	2,110,253	202,998	2,313,251	786,796	130,010	916,806
Deferred outflows - OPEB	48,687	993	49,680	39,241	4,231	43,472
Deferred outflows - OPEB - TMRS	1,296	-	1,296	23,177	-	23,177
<b>Total Deferred Outflows of Resources</b>	<b>2,160,236</b>	<b>203,991</b>	<b>2,364,227</b>	<b>849,214</b>	<b>134,241</b>	<b>983,455</b>
Long-term liabilities	30,750,237	1,743,214	32,493,451	29,242,365	1,717,911	30,960,276
Other liabilities	1,862,984	1,267,096	3,130,080	2,388,270	813,764	3,202,034
<b>Total Liabilities</b>	<b>32,613,221</b>	<b>3,010,310</b>	<b>35,623,531</b>	<b>31,630,635</b>	<b>3,210,319</b>	<b>34,162,310</b>
Deferred inflows - pensions	55,159	10,939	66,098	660,244	102,421	762,665
Deferred inflows - OPEB	23,285	2,447	25,732	-	-	-
Deferred inflows - OPEB - TMRS	6,222	-	6,222	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>84,666</b>	<b>13,386</b>	<b>98,052</b>	<b>660,244</b>	<b>102,421</b>	<b>762,665</b>
<b>Net Position:</b>						
Net investment in capital assets	30,651,325	16,371,912	47,023,237	31,144,955	16,313,930	47,458,885
Restricted	2,845,573	429,575	3,275,148	2,258,061	8,814,552	11,072,613
Unrestricted	258,258	10,212,561	10,470,819	482,732	1,599,547	2,082,279
<b>Total Net Position</b>	<b>\$ 33,755,156</b>	<b>\$ 27,014,048</b>	<b>\$ 60,769,204</b>	<b>\$ 33,885,748</b>	<b>\$ 26,728,029</b>	<b>\$ 60,613,777</b>

A portion of the City's net position, \$3,275,148 or 5 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$10,470,819 may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City increased, primarily due to increased revenues from property taxes due to higher appraised values.

**CITY OF CONVERSE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
For the Year Ended September 30, 2019

**Statement of Activities**

The following table provides a summary of the City's changes in net position:

	<u>For the Year Ended September 30, 2019</u>			<u>For the Year Ended September 30, 2018</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,613,965	\$ 8,464,383	\$ 11,078,348	\$ 2,793,434	\$ 9,455,919	\$ 12,249,353
Operating grants and contributions	722,331	-	722,331	351,679	155,661	507,340
General revenues:						
Ad valorem taxes	7,216,443	-	7,216,443	6,146,629	-	6,146,629
Sales taxes	3,089,836	-	3,089,836	2,540,905	-	2,540,905
Franchise fees	1,292,716	-	1,292,716	1,299,723	-	1,299,723
Investment earnings	300,158	231,193	531,351	308,378	137,278	445,656
Other revenues	395,432	-	395,432	199,971	-	199,971
<b>Total Revenues</b>	<u>15,630,881</u>	<u>8,695,576</u>	<u>24,326,457</u>	<u>13,640,719</u>	<u>9,748,858</u>	<u>23,389,577</u>
<b>Expenses</b>						
General government	642,651	-	642,651	2,864,112	-	2,864,112
Municipal court	246,538	-	246,538	197,988	-	197,988
Public safety	5,639,547	-	5,639,547	3,785,886	-	3,785,886
Fire and emergency services	4,384,196	-	4,384,196	2,724,663	-	2,724,663
Public works	4,217,091	-	4,217,091	3,084,296	-	3,084,296
Parks and recreation	424,133	-	424,133	396,081	-	396,081
Library	207,775	-	207,775	208,423	-	208,423
Water and sewer	-	7,767,524	7,767,524	-	7,021,487	7,021,487
Interest and fiscal agent fees	624,542	17,033	641,575	723,019	44,669	767,688
<b>Total Expenses</b>	<u>16,386,473</u>	<u>7,784,557</u>	<u>24,171,030</u>	<u>13,984,468</u>	<u>7,066,156</u>	<u>21,050,624</u>
<b>Increase (Decrease) in Net Position</b>						
<b>Before Transfers</b>	(755,592)	911,019	155,427	(343,749)	2,682,702	2,338,953
Transfers in (out)	625,000	(625,000)	-	414,000	(414,000)	-
<b>Change in Net Position</b>	(130,592)	286,019	155,427	70,251	2,268,702	2,338,953
Beginning net position	33,885,748	26,728,029	60,613,777	33,815,497	24,459,327	58,274,824
<b>Ending Net Position</b>	<u>\$ 33,755,156</u>	<u>\$ 27,014,048</u>	<u>\$ 60,769,204</u>	<u>\$ 33,885,748</u>	<u>\$ 26,728,029</u>	<u>\$ 60,613,777</u>

For the year ended September 30, 2019, revenues from governmental activities totaled \$15,630,881. Overall governmental revenues increased by 15 percent mostly due to an increase in property tax revenues related to an increase in the assessed values of properties within the City, an increase in sales tax revenues related to an increase in taxable sales within the City, and an increase in operating grants and contributions due to sidewalk grant revenue and park bench donations.

For the year ended September 30, 2019, expenses for governmental activities totaled \$16,386,473. Overall governmental expenses increased by 17 percent primarily due to an increase in the pension liability and personnel costs.

**CITY OF CONVERSE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2019**

For the year ended September 30, 2019, revenues from business-type activities totaled \$8,695,576. Overall business-type revenues had a slight decrease of 11 percent, which was primarily due to a decrease in charges for services as consumption decreased in the current year. Expenses for business-type activities totaled \$7,784,557. Overall business-type expenses increased by 14 percent compared to last year mainly due to increases in water billing expenses.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$8,563,706. Of this, \$3,862,941 is restricted for various purposes, \$9,911 is nonspendable, and \$4,690,854 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, the general fund balance was \$4,701,490. Of this, \$4,690,854 was unassigned, \$9,911 was nonspendable, and \$725 was restricted for public safety. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represented 35 percent and total fund balance represented 35 percent of total general fund expenditures. The general fund demonstrated an overall decrease of \$242,464 primarily due to the construction costs related to the new City buildings.

The debt service fund has a fund balance of \$12,325. The net increase in fund balance during the current year was \$10,826. This increase can be attributed to other financing sources related to interfund transfers from the general fund.

The capital projects fund recorded a decrease of \$1,993,166 in fund balance due to the use of bond funds for construction of a new City hall along with other ongoing projects.

**Proprietary Funds** – The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original and amended budgets adopted anticipated a decrease in fund balance.

Actual general fund revenues were greater than amended budgeted revenues by \$368,753 during fiscal year 2019. This net positive variance was due mainly to a greater amount of property and sales taxes and greater revenue from charges for services than anticipated. Actual expenditures were less than the final amended budget in total by \$57,758 for the fiscal year.

**CITY OF CONVERSE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2019**

**CAPITAL ASSETS**

At the end of fiscal year 2019, the City's governmental and business-type activities had invested \$71,046,165 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$1,009,186.

Major capital asset events during the year included the following:

- Completion of City hall, fire station, and animal care facility additions for \$8,271,847
- Purchase of land for library parking lot for \$154,850
- Park improvements for \$139,518
- Animal care facility lift station for \$208,536

More detailed information about the City's capital assets is presented in note III.C to the financial statements.

**LONG-TERM DEBT**

At the end of the current year, the City had total certificates of obligation of \$4,430,000, general obligation bonds of \$17,450,000, sales tax bonds of \$1,237,000, and capital leases of \$555,930 outstanding. The City entered into a new capital lease for \$440,000 to purchase police department vehicles.

More detailed information about the City's long-term liabilities is presented in note III.D to the financial statements.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Le Ann Piatt, City Manager, 406 S. Seguin, Converse, TX, 78109; telephone (210)658-5356; or for general City information, visit the City's website at [www.conversetx.net](http://www.conversetx.net).

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***BASIC FINANCIAL STATEMENTS***

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# CITY OF CONVERSE, TEXAS

## STATEMENT OF NET POSITION

September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 8,635,962	\$ 11,345,861	\$ 19,981,823	\$ 2,392,514
Investments	172,497	-	172,497	-
Receivables, net of allowances	1,658,877	1,016,872	2,675,749	118,908
Prepays	12,089	1,154	13,243	99
Inventory	-	237,083	237,083	-
Capital assets:				
Nondepreciable capital assets	22,855,058	4,009,372	26,864,430	4,637,324
Depreciable capital assets, net	30,958,324	13,223,411	44,181,735	130,162
<b>Total Assets</b>	<b>64,292,807</b>	<b>29,833,753</b>	<b>94,126,560</b>	<b>7,279,007</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred outflows - pensions	2,110,253	202,998	2,313,251	60,502
Deferred outflows - OPEB	48,687	993	49,680	1,490
Deferred outflows - OPEB - TMRS	1,296	-	1,296	-
<b>Total Deferred Outflows of Resources</b>	<b>2,160,236</b>	<b>203,991</b>	<b>2,364,227</b>	<b>61,992</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	1,355,130	982,334	2,337,464	13,951
Customer deposits	77,598	279,129	356,727	-
Accrued interest	430,256	5,633	435,889	12,355
Noncurrent liabilities:				
Due within one year	1,772,037	237,315	2,009,352	136,000
Due in more than one year	28,978,200	1,505,899	30,484,099	1,302,606
<b>Total Liabilities</b>	<b>32,613,221</b>	<b>3,010,310</b>	<b>35,623,531</b>	<b>1,464,912</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows - pensions	55,159	10,939	66,098	1,349
Deferred inflows - OPEB	23,285	2,447	25,732	604
Deferred inflows - OPEB - TMRS	6,222	-	6,222	-
<b>Total Deferred Inflows of Resources</b>	<b>84,666</b>	<b>13,386</b>	<b>98,052</b>	<b>1,953</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	30,651,325	16,371,912	47,023,237	3,530,486
Restricted for:				
Capital projects	-	263,711	263,711	-
Debt service	12,325	165,864	178,189	-
Public safety	186,204	-	186,204	-
Economic development	-	-	-	2,343,648
Special revenue projects	2,647,044	-	2,647,044	-
Unrestricted	258,258	10,212,561	10,470,819	-
<b>Total Net Position</b>	<b>\$ 33,755,156</b>	<b>\$ 27,014,048</b>	<b>\$ 60,769,204</b>	<b>\$ 5,874,134</b>

See Notes to Financial Statements.

# CITY OF CONVERSE, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General government	\$ 642,651	\$ 2,041,431	\$ -
Municipal court	246,538	572,534	-
Public safety	5,639,547	-	-
Fire and emergency services	4,384,196	-	-
Public works	4,217,091	-	722,331
Parks and recreation	424,133	-	-
Library	207,775	-	-
Interest and fiscal agent fees	624,542	-	-
<b>Total Governmental Activities</b>	<b>16,386,473</b>	<b>2,613,965</b>	<b>722,331</b>
<b>Business-Type Activities:</b>			
Water and sewer	7,784,557	8,464,383	-
<b>Total Business-Type Activities</b>	<b>7,784,557</b>	<b>8,464,383</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 24,171,030</b>	<b>\$ 11,078,348</b>	<b>\$ 722,331</b>
<b>Component Unit:</b>			
Economic development corporation	\$ 717,341	\$ -	\$ -

**General Revenues:**

- Ad valorem taxes
- Sales taxes
- Franchise fees
- Investment earnings
- Other revenues
- Transfers

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Economic Development Corporation</u>
\$ 1,398,780	\$ -	\$ 1,398,780	\$ -
325,996	-	325,996	-
(5,639,547)	-	(5,639,547)	-
(4,384,196)	-	(4,384,196)	-
(3,494,760)	-	(3,494,760)	-
(424,133)	-	(424,133)	-
(207,775)	-	(207,775)	-
(624,542)	-	(624,542)	-
<u>(13,050,177)</u>	<u>-</u>	<u>(13,050,177)</u>	<u>-</u>
-	679,826	679,826	-
-	679,826	679,826	-
<u>(13,050,177)</u>	<u>679,826</u>	<u>(12,370,351)</u>	<u>-</u>
-	-	-	(717,341)
7,216,443	-	7,216,443	-
3,089,836	-	3,089,836	847,248
1,292,716	-	1,292,716	-
300,158	231,193	531,351	54,209
395,432	-	395,432	5,440
625,000	(625,000)	-	-
<u>12,919,585</u>	<u>(393,807)</u>	<u>12,525,778</u>	<u>906,897</u>
(130,592)	286,019	155,427	189,556
33,885,748	26,728,029	60,613,777	5,684,578
<u>\$ 33,755,156</u>	<u>\$ 27,014,048</u>	<u>\$ 60,769,204</u>	<u>\$ 5,874,134</u>

# CITY OF CONVERSE, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2019

	General	Debt Service	Capital Projects	Nonmajor Governmental
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 4,612,834	\$ 12,325	\$ 1,516,830	\$ 2,493,973
Investments	-	-	-	172,497
Receivables, net	1,366,137	33,853	-	258,887
Due from other funds	-	-	-	12,650
Prepaid expenses	9,911	-	-	2,178
<b>Total Assets</b>	<b>\$ 5,988,882</b>	<b>\$ 46,178</b>	<b>\$ 1,516,830</b>	<b>\$ 2,940,185</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 748,006	\$ -	\$ 499,462	\$ 107,662
Due to other funds	12,650	-	-	-
Permit deposits	77,598	-	-	-
<b>Total Liabilities</b>	<b>838,254</b>	<b>-</b>	<b>499,462</b>	<b>107,662</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	449,138	33,853	-	-
<b>Total Deferred Inflows of Resources</b>	<b>449,138</b>	<b>33,853</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Nonspendable:				
Prepays	9,911	-	-	-
Restricted:				
Debt service	-	12,325	-	-
Capital projects	-	-	1,017,368	-
Public safety	725	-	-	185,479
Municipal court	-	-	-	32,539
Communication	-	-	-	945,286
Special services	-	-	-	1,669,219
Unassigned	4,690,854	-	-	-
<b>Total Fund Balances</b>	<b>4,701,490</b>	<b>12,325</b>	<b>1,017,368</b>	<b>2,832,523</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,988,882</b>	<b>\$ 46,178</b>	<b>\$ 1,516,830</b>	<b>\$ 2,940,185</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

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\$ 8,635,962  
172,497  
1,658,877  
12,650  
12,089  

---

\$ 10,492,075

\$ 1,355,130  
12,650  
77,598  

---

1,445,378

482,991  

---

482,991

9,911

12,325  
1,017,368  
186,204  
32,539  
945,286  
1,669,219  
4,690,854  

---

8,563,706

\$ 10,492,075

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**CITY OF CONVERSE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2019**

Total fund balances for governmental funds	\$		8,563,706
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 in the funds.			
Capital assets - nondepreciable		22,855,058	
Capital assets - net depreciable		30,958,324	
			53,813,382
Deferred outflows and deferred inflows related to pension and other postemployment benefits activity are not reported in the funds.			
Deferred outflows - pensions		2,110,253	
Deferred outflows - OPEB		48,687	
Deferred outflows - OPEB - TMRS		1,296	
Deferred inflows - pensions		(55,159)	
Deferred inflows - OPEB		(23,285)	
Deferred inflows - OPEB - TMRS		(6,222)	
			2,075,570
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
			482,991
Some liabilities, including bonds payable, net pension liability, other postemployment benefits, and compensated absences are not reported as liabilities in the funds.			
Accrued interest		(430,256)	
Noncurrent liabilities due in one year		(1,772,037)	
Noncurrent liabilities due in more than one year		(28,978,200)	
			(31,180,493)
		<b>Net Position of Governmental Activities</b>	<b>\$ 33,755,156</b>

See Notes to Financial Statements.

# CITY OF CONVERSE, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General	Debt Service	Capital Projects	Nonmajor Governmental
<b>Revenues</b>				
Ad valorem taxes	\$ 5,571,949	\$ 1,564,890	\$ -	\$ -
Sales taxes	2,598,920	-	-	490,916
Franchise fees	1,292,716	-	-	-
Permits, licenses, and fees	678,379	-	-	-
Fines and forfeitures	540,427	-	-	32,107
Charges for services	1,363,052	-	-	-
Grants and contributions	294,949	-	-	427,382
Investment earnings	189,841	1,569	63,019	45,729
Other revenue	162,180	-	-	233,252
<b>Total Revenues</b>	12,692,413	1,566,459	63,019	1,229,386
<b>Expenditures</b>				
Current:				
General government	1,928,636	-	-	95,260
Municipal court	208,070	-	-	-
Public safety	4,553,164	-	-	42,408
Fire and emergency services	3,363,685	-	-	-
Public works	1,853,933	-	-	-
Parks and recreation	326,985	-	-	-
Library	288,823	-	-	-
Capital outlay	1,036,581	-	2,056,185	931,534
Debt service:				
Principal	-	980,000	-	-
Interest and fiscal agent fees	-	600,633	-	-
<b>Total Expenditures</b>	13,559,877	1,580,633	2,056,185	1,069,202
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(867,464)	(14,174)	(1,993,166)	160,184
<b>Other Financing Sources (Uses)</b>				
Transfers in	250,000	25,000	-	415,000
Transfers (out)	(65,000)	-	-	-
Capital leases	440,000	-	-	-
<b>Total Other Financing Sources</b>	625,000	25,000	-	415,000
<b>Net Change in Fund Balances</b>	(242,464)	10,826	(1,993,166)	575,184
Beginning fund balances	4,943,954	1,499	3,010,534	2,257,339
<b>Ending Fund Balances</b>	\$ 4,701,490	\$ 12,325	\$ 1,017,368	\$ 2,832,523

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$ 7,136,839  
3,089,836  
1,292,716  
678,379  
572,534  
1,363,052  
722,331  
300,158  
395,432

---

15,551,277

---

2,023,896  
208,070  
4,595,572  
3,363,685  
1,853,933  
326,985  
288,823  
4,024,300

980,000  
600,633

---

18,265,897

---

(2,714,620)

---

690,000  
(65,000)  
440,000

---

1,065,000

---

(1,649,620)  
10,213,326

---

\$ 8,563,706

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**CITY OF CONVERSE, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds \$ (1,649,620)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,842,488
Depreciation expense	(1,685,405)

The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal payments	1,213,225
Accrued interest	(96,387)
Amortization of premiums	22,478

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	79,604
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Deferred outflows - pensions	1,847,299
Deferred outflows - OPEB	9,446
Deferred outflows - OPEB - TMRS	97
Deferred inflows - pensions	81,243
Deferred inflows - OPEB	(23,285)
Deferred inflows - OPEB - TMRS	(28,200)
Net pension liability	(2,231,367)
Total OPEB liability	4,656
Total OPEB liability - TMRS	266
Compensated absences	(77,130)

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (130,592)</b>
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See Notes to Financial Statements.

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# CITY OF CONVERSE, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUND

September 30, 2019

	<u>Water and Sewer</u>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 11,345,861
Receivables, net	1,016,872
Prepaid expenses	1,154
Inventory	237,083
<b>Total Current Assets</b>	<u>12,600,970</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Nondepreciable capital assets	4,009,372
Depreciable capital assets	24,569,755
Accumulated depreciation	(11,346,344)
<b>Total Noncurrent Assets</b>	<u>17,232,783</u>
<b>Total Assets</b>	<u>29,833,753</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred outflows - pensions	202,998
Deferred outflows - OPEB	993
<b>Total Deferred Outflows of Resources</b>	<u>203,991</u>
<b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	982,334
Accrued interest	5,633
Customer deposits	279,129
<b>Total Current Liabilities</b>	<u>1,267,096</u>
<b>Noncurrent Liabilities</b>	
Due within one year	237,315
Due in more than one year	1,505,899
<b>Total Noncurrent Liabilities</b>	<u>1,743,214</u>
<b>Total Liabilities</b>	<u>3,010,310</u>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows - pensions	10,939
Deferred inflows - OPEB	2,447
<b>Total Deferred Inflows of Resources</b>	<u>13,386</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	16,371,912
Restricted for:	
Capital projects	263,711
Debt service	165,864
Unrestricted	10,212,561
<b>Total Net Position</b>	<u>\$ 27,014,048</u>

See Notes to Financial Statements.

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**CITY OF CONVERSE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2019**

	<b>Water and Sewer</b>
<b><u>Operating Revenues</u></b>	
Water charges	\$ 3,197,646
Wastewater charges	2,207,510
Garbage charges	2,023,067
Stormwater charges	574,175
Water acquisition fees	154,600
Impact fees	143,627
Other services	163,758
<b>Total Operating Revenues</b>	<b>8,464,383</b>
 <b><u>Operating Expenses</u></b>	
Administration	1,705,766
Garbage collection	1,654,171
Water billing and meter reading	492,415
Water distribution	366,552
Water wells	272,005
Wastewater treatment	1,897,217
Wastewater collection	387,818
Stormwater	11,422
Facility maintenance	215,818
Depreciation	764,340
<b>Total Operating Expenses</b>	<b>7,767,524</b>
<b>Operating Income</b>	<b>696,859</b>
 <b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	231,193
Interest expense	(17,033)
<b>Total Nonoperating Revenue</b>	<b>214,160</b>
<b>Income Before Transfers</b>	<b>911,019</b>
 <b><u>Transfers</u></b>	
Transfers (out)	<b>(625,000)</b>
<b>Change in Net Position</b>	<b>286,019</b>
Beginning net position	26,728,029
<b>Ending Net Position</b>	<b>\$ 27,014,048</b>

See Notes to Financial Statements.

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# CITY OF CONVERSE, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

For the Year Ended September 30, 2019

	Water and Sewer
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 8,809,638
Payments to suppliers	(5,415,291)
Payments to employees	(1,119,068)
<b>Net Cash Provided by Operating Activities</b>	<b>2,275,279</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	(616,445)
Principal payments on debt	(205,879)
Interest payments	(21,646)
<b>Net Cash (Used) by Capital and Financing Activities</b>	<b>(843,970)</b>
<b><u>Cash Flows from Noncapital Related Financing Activities</u></b>	
Contribution to street maintenance fund	(625,000)
<b>Net Cash (Used) by Noncapital Related Financing Activities</b>	<b>(625,000)</b>
<b><u>Cash Flows from Investing Activities</u></b>	
Loss on disposal of assets	
Interest on investments	231,193
<b>Net Cash Provided by Investing Activities</b>	<b>231,193</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,037,502</b>
Beginning cash and cash equivalents	10,308,359
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 11,345,861</b>
Unrestricted cash and cash equivalents	\$ 11,345,861
Restricted cash and cash equivalents	-
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 11,345,861</b>
<b>Reconciliation of Operating Income (Loss)</b>	
<b>to Net Cash Provided (Used) by Operating Activities</b>	
Operating income	\$ 696,859
Adjustments to reconcile operating income to net cash provided:	
Depreciation	764,340
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable	345,255
Prepays	(1,154)
Inventory	(60,365)
Deferred outflows - pensions	(72,988)
Deferred outflows - OPEB	3,238
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	459,254
Customer deposits	(1,309)
Compensated absences	(2,810)
Net pension liability	234,481
Total OPEB liability	(489)
Deferred inflows - pensions	(91,482)
Deferred inflows - OPEB	2,447
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,275,277</b>

See Notes to Financial Statements.

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**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Converse, Texas was incorporated in 1961. The City has operated as a home rule city under State statutes with a Council-Manager form of government.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police protection, fire and emergency, parks and recreation, library, municipal court, public works to include streets and drainage, water and sewer services, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Units**

**Economic Development Corporation**

The Converse Economic Development Corporation (EDC) has been included in the reporting entity as a discretely presented component unit. The EDC is a non-profit corporation organized under The Development Corporation Act of 1979 (the "Act") and covered by Section 4B of the Act. The EDC's Board of Directors is appointed by, and serves at the discretion of, City Council. The City Council approves the EDC's budget. A sales tax of one fourth of one percent is levied to fund the EDC's budget. Separate financial statements for the EDC are issued and may be obtained by contacting the City.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**Blended Component Units**

**Tax Increment Reinvestment Zone No. 1**

During the fiscal year 2017, the City passed an ordinance creating a Tax Increment Reinvestment Zone No. 1 (TIRZ), in accordance with Section 311 of the Texas Tax Code. This entity was created to promote development and to help fund certain public improvements as well as other project costs. The TIRZ includes participation by Bexar County, Texas (the “County”). Under this arrangement, the City and the County intend to participate in the TIRZ by contributing 100% of the County’s tax incremental revenue and approximately 70% of the City’s tax incremental revenue shall be utilized to reimburse the developer for project costs. The TIRZ is managed by a board of directors consisting of at least nine members appointed by the City and County based on each entity’s pro rata share of the total anticipated tax incremental revenue to be deposited into the TIRZ.

**Converse Public Facility Corporation**

The Converse Public Facility Corporation (PFC) is a non-profit corporation organized under The Public Finance Corporation Act of 1987. The PFC was organized exclusively for the purpose of assisting the City in financing, refinancing, or providing for public facilities. The PFC is governed by a Board of Directors, all of whose members serve on the City Council. The PFC has and possesses the broadest possible powers to finance acquisition of City obligations issued or incurred in accordance with existing law to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement in service of public facilities of the City.

**Converse Housing Finance Corporation**

The Converse Housing Finance Corporation (HFC) is a non-profit corporation organized under The Housing Facility Corporation Act of 1999. The HFC was organized exclusively for the purpose of assisting the City and PFC in financing, refinancing, or providing for public facilities.

The component units identified above are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City. The City Council functions as the organizations’ boards and is either able to impose its will on them or a financial benefit/burden exists.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component units. 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 to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund did not meet the technical criteria to be presented as a major fund but, due to its significance, the City elected to present it as major.

The *capital projects fund* is used to account for the expenditures of resources accumulated from various tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the Converse HFC (blended component unit), the Converse PFC (blended component unit), court technology and security funds, public, education and governmental (PEG) fund, police state and federal seizure funds, police blue santa program fund, police crime prevention fund, law enforcement officer standards and education (LEOSE) training fund, museum fund, historic preservation commission fund, parkland dedication fund, animal care donations fund, and park bench donations fund. All the special revenue funds are considered nonmajor.

The City reports the following enterprise fund:

The *water and sewer fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 imposed by the provider have been met.

The 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 City 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 judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.



**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. 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.

**2. Investments**

Investments, except for certain investment pools, investment contracts, and money market accounts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Money market mutual funds that meet certain criteria
- Statewide investment pools

**3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**4. Restricted Assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. 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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	15 to 50 years
Improvements	5 to 50 years
Equipment	5 to 10 years
Water and sewer system	20 to 50 years
Infrastructure	40 to 50 years

**6. 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/expenditure) until then. 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 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City’s fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**7. Compensated Employee Absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Accumulated amounts, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

**8. 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 effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**9. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**10. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

**11. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**12. Postemployment Healthcare Benefits**

The City provides postemployment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under COBRA, and the City incurs no direct costs. In January 2004, the City approved the payment of health insurance premiums for eligible retirees. Coverage is offered to those employees who have 15 years of service with the City and were employed before April 1, 2016 or to those employees who have 20 years of service with the City and were employed on or after April 1, 2016. The retiree cost for health insurance will be covered until the retiree reaches the age of 65. At this time, retirees would then be eligible for Medicare Part B coverage at their own expense.

**13. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**14. Pensions**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**15. Other Postemployment Benefits**

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

The City also provides their own defined benefit group health benefit plan to eligible employees and retirees.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined in the approved budget is the fund level for all funds. The City Manager may transfer appropriations between departments without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2019.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificate of Deposit	\$ 172,497	0.49
Investment Pools		
TexPool	2,826,858	0.09
Texas CLASS	10,955,454	0.14
<b>Total</b>	<u>\$ 13,954,809</u>	
Portfolio weighted average maturity		0.13

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

*Credit risk.* The City’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. Bankers’ acceptances must be issued in the United States and carry a rating of ‘A1’/‘P1’ as provided by two of the top nationally recognized rating agencies. As of September 30, 2019, the City’s investments in TexPool and Texas CLASS were rated ‘AAAm’ by Standard & Poor’s.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2019, market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. Texpool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with on issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. Texpool's authority may only impose restrictions on redemptions in the event of general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

**Texas CLASS**

The Texas Cooperative Liquid Assets Securities System Trust (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at [www.texasclass.com](http://www.texasclass.com).

**B. Receivables**

The following comprise receivable balances at year end:

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Special Revenue</b>	<b>Water and Sewer</b>
Property taxes	\$ 160,172	\$ 33,853	\$ -	\$ -
Other taxes and fees	770,986	-	130,435	-
Accounts	853,895	-	128,452	1,039,538
Less allowance	(418,916)	-	-	(22,666)
<b>Total Receivables</b>	<b>\$ 1,366,137</b>	<b>\$ 33,853</b>	<b>\$ 258,887</b>	<b>\$ 1,016,872</b>

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**C. Capital Assets**

The following is a summary of changes in capital assets for governmental activities:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>(Decreases)/ Reclassifications</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 14,483,850	\$ 154,850	\$ -	\$ 14,638,700
Construction in progress	15,571,538	2,056,185	(9,411,365)	8,216,358
<b>Total Capital Assets Not Being Depreciated</b>	30,055,388	2,211,035	(9,411,365)	22,855,058
Other capital assets:				
Buildings and improvements	8,220,137	8,299,373	-	16,519,510
Furniture, fixtures, and equipment	8,014,261	603,927	-	8,618,188
Infrastructure	29,161,734	1,139,518	-	30,301,252
<b>Total Other Capital Assets</b>	45,396,132	10,042,818	-	55,438,950
Less accumulated depreciation for:				
Buildings and improvements	(2,679,184)	(450,288)	-	(3,129,472)
Furniture, fixtures, and equipment	(5,975,601)	(541,088)	-	(6,516,689)
Infrastructure	(14,140,436)	(694,029)	-	(14,834,465)
<b>Total Accumulated Depreciation</b>	(22,795,221)	(1,685,405)	-	(24,480,626)
Other capital assets, net	22,600,911	8,357,413	-	30,958,324
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 52,656,299</b>	<b>\$ 10,568,448</b>	<b>\$ (9,411,365)</b>	<b>53,813,382</b>
			Plus unspent bond proceeds	564,118
			Less associated debt	(23,726,175)
			<b>Net Investment in Capital Assets</b>	<b>\$ 30,651,325</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 259,559
Municipal court	28,002
Public safety	612,772
Fire and emergency services	452,690
Public works	249,505
Parks and recreation	44,006
Library	38,870
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 1,685,405</b>



**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

The following is a summary of changes in capital assets for business-type activities:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>(Decreases)/ Reclassifications</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 342,727	\$ -	\$ -	\$ 342,727
Construction in progress	49,692	-	(49,692)	-
Water acquisition rights	3,666,645	-	-	3,666,645
<b>Total Capital Assets Not Being Depreciated</b>	4,059,064	-	(49,692)	4,009,372
Other capital assets:				
Buildings and improvements	351,837	11,684	-	363,521
Furniture, fixtures, and equipment	2,055,918	112,330	-	2,168,248
Infrastructure	21,495,863	542,123	-	22,037,986
<b>Total Other Capital Assets</b>	23,903,618	666,137	-	24,569,755
Less accumulated depreciation for:				
Buildings and improvements	(177,449)	(12,623)	-	(190,072)
Furniture, fixtures, and equipment	(1,716,413)	(93,058)	-	(1,809,471)
Infrastructure	(8,688,140)	(658,661)	-	(9,346,801)
<b>Total Accumulated Depreciation</b>	(10,582,002)	(764,342)	-	(11,346,344)
Other capital assets, net	13,321,616	(98,205)	-	13,223,411
<b>Business-Type Activities Capital Assets, Net</b>	\$ 17,380,680	\$ (98,205)	\$ (49,692)	17,232,783
			Less associated debt	(860,871)
			<b>Net Investment in Capital Assets</b>	<b>\$ 16,371,912</b>

Depreciation was charged to business-type functions as follows:

Water and sewer system	\$ 764,342
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$ 764,342</b>

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

The following is a summary of changes in capital assets for the discretely presented component unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
<b>Discretely Presented Component Unit</b>				
Capital assets not being depreciated:				
Land	\$ 4,637,324	\$ -	\$ -	\$ 4,637,324
<b>Total Capital Assets Not         Being Depreciated</b>	<u>4,637,324</u>	<u>-</u>	<u>-</u>	<u>4,637,324</u>
Other capital assets:				
Buildings and improvements	155,554	-	-	155,554
Furniture, fixtures, and equipment	26,650	-	-	26,650
<b>Total Other Capital Assets</b>	<u>182,204</u>	<u>-</u>	<u>-</u>	<u>182,204</u>
Less accumulated depreciation for:				
Buildings and improvements	(26,436)	(7,778)	-	(34,214)
Furniture, fixtures, and equipment	(16,132)	(1,696)	-	(17,828)
<b>Total Accumulated Depreciation</b>	<u>(42,568)</u>	<u>(9,474)</u>	<u>-</u>	<u>(52,042)</u>
Other capital assets, net	<u>139,636</u>	<u>(9,474)</u>	<u>-</u>	<u>130,162</u>
<b>Discretely Presented Component Unit     Capital Assets, Net</b>	<u>\$ 4,776,960</u>	<u>\$ (9,474)</u>	<u>\$ -</u>	<u>4,767,486</u>
			Less associated debt	<u>(1,237,000)</u>
			<b>Net Investment in Capital Assets</b>	<u>\$ 3,530,486</u>

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**D. Long-Term Liabilities**

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term debt.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
Certificates of obligation	\$ 3,755,000	\$ -	\$ (170,000)	\$ 3,585,000	\$ 190,000
General obligation bonds	18,115,000	-	(665,000)	17,450,000	715,000
General obligation bonds from direct borrowing/placement	1,840,000	-	(115,000)	1,725,000	235,000
Tax notes	80,000	-	(80,000)	-	-
Capital leases	299,155	440,000	(183,225)	555,930	199,088
Unamortized premium	432,723	-	(22,478)	410,245	-
	<u>24,521,878</u>	<u>440,000</u>	<u>(1,235,703)</u>	<u>23,726,175</u>	<u>1,339,088</u>
Other liabilities:					
Net pension liability	3,471,473	2,231,367	-	5,702,840	-
Total OPEB liability	547,670	-	(4,656)	543,014	-
Total OPEB liability - TMRS	297,420	-	(266)	297,154	-
Compensated absences	403,924	385,534	(308,404)	481,054	432,949
	<u>4,719,487</u>	<u>2,616,901</u>	<u>(5,224,326)</u>	<u>2,112,062</u>	<u>432,949</u>
<b>Total Governmental Activities</b>	<u>\$ 29,242,365</u>	<u>\$ 3,056,901</u>	<u>\$ (1,549,029)</u>	<u>\$ 30,750,237</u>	<u>\$ 1,772,037</u>

**Long-term debt due in more than one year** \$ 28,978,200

**\*Debt associated with governmental activities capital assets** \$ 23,726,175

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
Certificates of obligation	\$ 1,035,000	\$ -	\$ (190,000)	\$ 845,000	\$ 200,000
Unamortized premium	31,750	-	(15,879)	15,871	-
	<u>1,066,750</u>	<u>-</u>	<u>(205,879)</u>	<u>860,871</u>	<u>200,000</u>
Other liabilities:					
Net pension liability	547,843	234,481	-	782,324	-
Total OPEB liability	59,047	-	(489)	58,558	-
Compensated absences	44,271	61,600	(64,410)	41,461	37,315
	<u>651,161</u>	<u>296,081</u>	<u>(74,899)</u>	<u>872,343</u>	<u>37,315</u>
<b>Total Business-Type Activities</b>	<u>\$ 1,717,911</u>	<u>\$ 296,081</u>	<u>\$ (270,778)</u>	<u>\$ 1,743,214</u>	<u>\$ 237,315</u>

**Long-term debt due in more than one year** \$ 1,505,899

**\*Debt associated with business-type activities capital assets** \$ 860,871

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Discretely Presented Component Unit:</b>					
Bonds, notes and other payables:					
Sales tax bonds	\$ 1,369,000	\$ -	\$ (132,000)	\$ 1,237,000	\$ 136,000
	<u>-</u>	<u>-</u>	<u>(132,000)</u>	<u>1,237,000</u>	<u>136,000</u>
Other liabilities:					
Net pension liability	110,521	66,343	-	176,864	-
Total OPEB liability	18,121	-	(139)	17,982	-
Compensated absences	7,607	10,730	(11,577)	6,760	-
<b>Total Discretely Presented Component Unit</b>	<u>\$ 136,249</u>	<u>\$ 77,073</u>	<u>\$ (143,716)</u>	<u>\$ 1,438,606</u>	<u>\$ 136,000</u>
				<u>\$ 1,302,606</u>	
				<u>\$ 1,237,000</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities' compensated absences, net pension, and total OPEB liability are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term governmental activities debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
<b>Certificates of Obligation</b>		
Series 2014	2.0 - 4.0%	\$ 3,585,000
	<b>Total Certificates of Obligation</b>	<u>3,585,000</u>
<b>General Obligation Bonds</b>		
Series 2015	1.47%	1,725,000
Series 2016	2.32%	9,345,000
Series 2017	3.69%	8,105,000
	<b>Total General Obligation Bonds</b>	<u>19,175,000</u>
<b>Capital Leases</b>		
2016 Freightliner street sweeper	1.69%	38,766
2016 Ford Explorer patrol vehicles	1.82%	77,164
Interceptor patrol vehicles	2.83%	440,000
	<b>Total Capital Leases</b>	<u>555,930</u>
	<b>Total Governmental Activities Long-Term Debt</b>	<u>\$ 23,315,930</u>

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

Long-term business-type activities debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b>Certificates of Obligation</b>		
Series 2011	2.0 - 4.0%	\$ 845,000
<b>Total Certificates of Obligation</b>		845,000
<b>Total Business-Type Activities Long-Term Debt</b>		\$ 845,000

Long-term discretely presented component unit debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b>Sales Tax Revenue Bonds</b>		
Taxable Series 2017	3.50%	\$ 1,237,000
<b>Total Certificates of Obligation</b>		1,237,000
<b>Total Discretely Presented Component Unit Long-Term Debt</b>		\$ 1,237,000

The annual requirements to amortize governmental activities debt issues outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities					
	Certificates of Obligation			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 190,000	\$ 119,500	\$ 309,500	\$ 715,000	\$ 576,489	\$ 1,291,489
2021	200,000	115,100	315,100	770,000	441,905	1,211,905
2022	200,000	109,600	309,600	840,000	419,205	1,259,205
2023	205,000	103,525	308,525	865,000	394,805	1,259,805
2024	210,000	97,300	307,300	890,000	369,605	1,259,605
2025-2029	1,170,000	379,838	1,549,838	4,850,000	1,460,450	6,310,450
2030-2034	1,410,000	145,275	1,555,275	5,515,000	802,728	6,317,728
2035-2038	-	-	-	3,005,000	111,090	3,116,090
<b>Total</b>	\$ 3,585,000	\$ 1,070,138	\$ 4,655,138	\$ 17,450,000	\$ 4,576,277	\$ 22,026,277

Year Ending Sep. 30	Governmental Activities		
	General Obligation Bonds (Direct borrowing/placement)		
	Principal	Interest	Total
2020	\$ 235,000	\$ 28,940	\$ 263,940
2021	240,000	25,877	265,877
2022	240,000	22,304	262,304
2023	245,000	18,232	263,232
2024	250,000	13,665	263,665
2025-2029	515,000	11,517	526,517
	\$ 1,725,000	\$ 120,535	\$ 1,845,535

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

The annual requirements to amortize business-type activities debt outstanding at year end were as follows:

Year Ending Sep. 30	Business-Type Activities		
	Certificates of Obligation		
	Principal	Interest	Total
2020	\$ 200,000	\$ 29,800	\$ 229,800
2021	205,000	21,700	226,700
2022	215,000	13,300	228,300
2023	225,000	4,500	229,500
<b>Total</b>	<b>\$ 845,000</b>	<b>\$ 69,300</b>	<b>\$ 914,300</b>

The annual requirements to amortize the discretely presented component unit debt outstanding at year end were as follows:

Year Ending Sep. 30	Discretely Presented Component Unit		
	Sales Tax Revenue Bonds		
	Principal	Interest	Total
2020	\$ 136,000	\$ 40,915	\$ 176,915
2021	141,000	36,068	177,068
2022	146,000	31,045	177,045
2023	152,000	25,830	177,830
2024	157,000	20,423	177,423
2025-2027	505,000	26,898	531,898
<b>Total</b>	<b>\$ 1,237,000</b>	<b>\$ 181,179</b>	<b>\$ 1,418,179</b>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds is from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

The annual requirements to amortize capital leases outstanding at year end were as follows:

Year Ending Sep 30	Governmental Activities		
	Principal	Interest	Total
	2020	\$ 199,088	\$ 14,511
2021	85,512	10,098	95,610
2022	87,931	7,679	95,610
2023	90,420	5,190	95,610
2025	92,979	2,631	95,610
<b>Total</b>	<b>\$ 555,930</b>	<b>\$ 40,109</b>	<b>\$ 596,039</b>

The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 1,495,454
Less: Accumulated depreciation	(616,154)
<b>Total</b>	<b>\$ 879,300</b>

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**Federal Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**E. Interfund Transactions**

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year:

Due To	Due From	Amounts
Nonmajor special revenue	General	\$ 12,650

Amounts recorded as “transfers” are considered to be contributions to other funds, and will not be repaid:

Transfer In	Transfer Out	Amounts
Debt service	General	\$ 25,000
Museum	General	40,000
General	Water and sewer	250,000
Street maintenance	Water and sewer	375,000
	<b>Total</b>	<b>\$ 690,000</b>

**F. Fund Equity**

Funds restricted by enabling legislation are \$1,029,693 related to capital projects, \$186,204 related to public safety, \$32,539 related to municipal court, \$945,286 related to communication, and \$1,669,219 related to special services.

**G. Restatement of Net Position/Fund Balances**

Beginning net position for governmental activities and beginning fund balances for nonmajor governmental funds were restated for the addition of two new funds in the prior year.

	Historic Preservation Commission Fund	Parkland Dedication Fund	Nonmajor Governmental Funds	Governmental Activities
<b>Prior year ending net position/fund balances as reported</b>	\$ -	\$ -	\$ 2,236,723	\$ 33,865,132
Report new funds prior year activity	2,066	18,550	20,616	20,616
<b>Restated Beginning Net Position/Fund Balances</b>	<b>\$ 2,066</b>	<b>\$ 18,550</b>	<b>\$ 2,257,339</b>	<b>\$ 33,885,748</b>

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

**IV. OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

**B. Pension Plan**

**Texas Municipal Retirement System**

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 TMRS with a six-member Board of Trustees (the "Board"). 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 that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

At retirement, the 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 percent of the member's deposits and interest.



**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

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 were as follows:

	2019	2018
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to, but not yet receiving, benefits	153
Active employees	165
<b>Total</b>	<b>381</b>

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, 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 were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.2 percent and 13.75 percent in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$1,162,633, which equaled the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

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 Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent 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 three percent floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
<b>Total</b>	<u>100.00%</u>	

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. 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 TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 1,315,188	\$ -	\$ 1,315,188
Interest	1,918,902	-	1,918,902
Change in current period benefits	-	-	-
Difference between expected and actual experience	234,123	-	234,123
Changes in assumptions			
Contributions - employer	-	1,123,010	(1,123,010)
Contributions - employee	-	553,597	(553,597)
Net investment income	-	(725,835)	725,835
Benefit payments, including refunds of employee contributions	(1,149,512)	(1,149,512)	-
Administrative expense	-	(14,019)	14,019
Other changes	-	(732)	732
<b>Net Changes</b>	<b>2,318,701</b>	<b>(213,491)</b>	<b>2,532,192</b>
Balance at December 31, 2017	28,345,343	24,215,507	4,129,836
<b>Balance at December 31, 2018</b>	<b>\$ 30,664,044</b>	<b>\$ 24,002,016</b>	<b>\$ 6,662,028</b>
		Governmental	\$ 5,702,840
		Business-Type	782,324
		Component Unit	176,864
		<b>Total</b>	<b>\$ 6,662,028</b>

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one 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	\$ 11,727,249	\$ 6,662,028	\$ 2,602,702

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](http://www.tmrs.com).

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

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

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$1,549,798. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 217,252	\$ 67,448
Changes in actuarial assumptions	2,640	-
Difference between projected and actual investment earnings	1,258,237	-
Contributions subsequent to the measurement date	891,392	-
<b>Total</b>	<b>\$ 2,369,521</b>	<b>\$ 67,448</b>

\$891,392 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 NPL for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended September 30</b>	<b>Pension Expense</b>
2020	\$ 456,424
2021	255,374
2022	226,805
2023	472,078
Thereafter	-
<b>Total</b>	<b>\$ 1,410,681</b>

**C. Other Postemployment Benefits**

**1. City of Converse Retiree Health Care Plan**

Plan Description

In order to recognize and reward long-term employees, as well as to provide an incentive for those remaining in the City’s employment, the City administers a single-employer defined benefit (OPEB) plan that will allow the retiree to pay their premium for continuation of the medical and dental insurance coverage. Retirees pay 100 percent of the premium; however, the City would contribute \$3,500 per year (\$7,500 per family per year) towards the retiree’s deductible through a health savings account. The plan is known as the City Retiree Health Care Plan (the “Plan”). All coverage ends when the retiree reaches age 65.

In order to be eligible for this benefit, the retiree must separate from service with at least 15 years of service with the City and be a current recipient of retirement benefits from TMRS if employed before April 1, 2016 or 20 years of service with the City and be a current recipient of retirement benefits from TMRS if employed on or after April 1, 2016. The health care benefit of the Plan is available to the spouse and any dependent(s) if they were on the Plan at the beginning of the Plan year in which the employee retires. Furthermore, a dependent is eligible for coverage if they have not reached age 25. Eligibility for coverage for the spouse ends when Medicare coverage begins.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

Funding Policy

The City has elected to subsidize premiums for the Plan and funding is provided on a pay-as-you-go basis.

Inactive employees or beneficiaries currently receiving benefits	6	
Active employees	154	
<b>Total</b>	160	

Total OPEB Liability

The City's total OPEB liability of \$619,554 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%*
Actuarial Cost Method	Individual entry-age
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for TMRS.
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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 for future mortality improvements.
Health care trend rates	Rate of 7.20% declining to an ultimate rate of 4.25% after 14 years.
Participation rates	30% of all eligible retirees

\* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Changes for the year:	
Service cost	\$ 29,505
Interest	20,686
Difference between expected and actual experience	(2,638)
Changes of assumptions	(23,543)
Benefit payments	(29,294)
<b>Net Changes</b>	(5,284)
Beginning balance	624,838
<b>Ending Balance</b>	<b>\$ 619,554</b>

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<b>1% Decrease in Discount Rate (2.71%)</b>	<b>Discount Rate (3.71%)</b>	<b>1% Increase in Discount Rate (4.71%)</b>
City's Total OPEB Liability	\$ 680,498	\$ 619,554	\$ 564,986

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

For the year ended September 30, 2019, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 2,321
Changes in actuarial assumptions	21,436	20,717
Contributions subsequent to the measurement date	30,669	-
<b>Total</b>	<b>\$ 52,105</b>	<b>\$ 20,717</b>

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended September 30</b>	<b>OPEB Expense Amount</b>
2020	\$ 242
2021	242
2022	242
2023	242
2024	242
Thereafter	(2,812)
<b>Total</b>	<b>\$ (1,602)</b>

**2. TMRS - Supplemental Death Benefit**

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2018 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to, but not yet receiving, benefits	23
Active employees	165
<b>Total</b>	<b>233</b>

Total OPEB Liability

The City's total OPEB liability of \$297,154 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rate are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Changes for the year:	
Service cost	\$ 19,771
Interest	10,146
Differences between expected and actual experience	(4,269)
Changes of assumptions	(24,332)
Benefit payments*	(1,582)
	<b>Net Changes</b>
Beginning balance	297,420
	<b>Ending Balance</b>
	<u>\$ 297,154</u>

\* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.



**CITY OF CONVERSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<b>1% Decrease in Discount Rate (2.71%)</b>	<b>Discount Rate (3.71%)</b>	<b>1% Increase in Discount Rate (4.71%)</b>
City's Total OPEB Liability	\$ 363,600	\$ 297,154	\$ 246,435

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$29,516. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,605
Changes in actuarial assumptions	17,930	20,548
Contributions subsequent to the measurement date	97	-
<b>Total</b>	<b>\$ 18,027</b>	<b>\$ 24,153</b>

\$97 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2020.

Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended September 30</b>	<b>OPEB Expense Amount</b>
2020	\$ (401)
2021	(401)
2022	(401)
2023	(401)
2024	(2,705)
Thereafter	(1,914)
<b>Total</b>	<b>\$ (6,223)</b>

**D. Conduit Debt and Related Organization**

The Converse PFC is the sole member of Town Square Living LLC, which owns a 0.01 percent equity interest in the Town Square Apartments, Ltd. Partnership (the "Partnership"). The purpose of this Partnership was to obtain funding to construct and manage a low-income apartment housing complex in the City known as the Town Square Apartments (the "Project"). As a part of the agreement, the City earned deferred development fees of \$600,000 to be paid from future cash flow. The City is entitled to a portion of the annual net cash flow of the Project. The PFC's capital investment in the Project is minimal, thus no asset is recorded in the City's financial statements.

**CITY OF CONVERSE, TEXAS**  
***NOTES TO FINANCIAL STATEMENTS (Continued)***  
**For the Year Ended September 30, 2019**

Financing for the Project was acquired through bonds issued by the HFC, Multi-family Housing Revenue Bonds, Series 2007 for \$14,300,000. Through a subordination agreement with the purchaser of the bonds and the Partnership, the bonds issued do not constitute debt or a pledge of faith or credit of the HFC or the City. Accordingly, the outstanding amount of conduit debt was \$13,230,000. The HFC receives an annual payment of \$7,500 for issuer fees.

***REQUIRED SUPPLEMENTARY INFORMATION***

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**CITY OF CONVERSE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u> <u>Budget</u> <u>Amounts</u>	<u>Final</u> <u>Budget</u> <u>Amounts</u>		
<b>Revenues</b>				
Ad valorem taxes	\$ 5,400,000	\$ 5,400,000	\$ 5,571,949	\$ 171,949
Sales taxes	2,466,000	2,466,000	2,598,920	132,920
Franchise fees	1,250,000	1,250,000	1,292,716	42,716
Permits, licenses, and fees	811,200	811,200	678,379	(132,821)
Fines and forfeitures	531,000	531,000	540,427	9,427
Charges for services	1,340,000	1,340,000	1,363,052	23,052
Grants and contributions	1,900	272,560	294,949	22,389
Investment earnings	130,000	130,000	189,841	59,841
Other revenue	122,900	122,900	162,180	39,280
<b>Total Revenues</b>	<u>12,053,000</u>	<u>12,323,660</u>	<u>12,692,413</u>	<u>368,753</u>
<b>Expenditures</b>				
General government	1,918,996	1,955,996	1,928,636	27,360
Municipal court	213,704	209,704	208,070	1,634
Public safety	4,556,842	4,562,192	4,553,164	9,028
Fire and emergency services	3,278,737	3,370,067	3,363,685	6,382
Public works	1,759,656	1,869,829	1,853,933	15,896
Parks and recreation	367,305	373,663	326,985	46,678
Library	279,278	294,277	288,823	5,454
Capital outlay	268,482	981,907	1,036,581	(54,674)
<b>Total Expenditures</b>	<u>12,643,000</u>	<u>13,617,635</u>	<u>13,559,877</u>	<u>57,758</u>
<b>(Deficiency) of Revenues</b> <b>(Under) Expenditures</b>	<u>(590,000)</u>	<u>(1,293,975)</u>	<u>(867,464)</u>	<u>426,511</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	250,000	250,000	250,000	-
Transfers (out)	(40,000)	(65,000)	(65,000)	-
Capital lease proceeds	-	-	440,000	440,000
<b>Total Other Financing Sources</b>	<u>210,000</u>	<u>185,000</u>	<u>625,000</u>	<u>440,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (380,000)</u>	<u>\$ (1,108,975)</u>	<u>(242,464)</u>	<u>\$ 866,511</u>
Beginning fund balance			<u>4,943,954</u>	
<b>Ending Fund Balance</b>			<u>\$ 4,701,490</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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# CITY OF CONVERSE, TEXAS

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Last ten fiscal years

	Measurement Year*			
	2015	2016	2017	2018
<b>Total Pension Liability</b>				
Service cost	\$ 1,020,472	\$ 1,099,215	\$ 1,223,634	\$ 1,315,188
Interest (on the total pension liability)	1,624,621	1,679,685	1,778,970	1,918,902
Difference between expected and actual experience	(92,280)	(249,788)	91,173	234,123
Change of assumptions	90,654	-	-	-
Benefit payments, including refunds of employee contributions	(757,593)	(1,257,382)	(983,466)	(1,149,512)
<b>Net Change in Total Pension Liability</b>	<u>1,885,874</u>	<u>1,271,730</u>	<u>2,110,311</u>	<u>2,318,701</u>
Beginning total pension liability	<u>23,077,428</u>	<u>24,963,302</u>	<u>26,235,032</u>	<u>28,345,343</u>
<b>Ending Total Pension Liability</b>	<u><u>\$ 24,963,302</u></u>	<u><u>\$ 26,235,032</u></u>	<u><u>\$ 28,345,343</u></u>	<u><u>\$ 30,664,044</u></u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 896,703	\$ 905,367	\$ 1,054,882	\$ 1,123,010
Contributions - employee	442,036	457,953	511,370	553,597
Net investment income	27,711	1,309,500	2,879,529	(725,835)
Benefit payments, including refunds of employee contributions	(757,593)	(1,257,382)	(983,466)	(1,149,512)
Administrative expense	(16,877)	(14,783)	(14,918)	(14,019)
Other	(834)	(796)	(756)	(732)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>591,146</u>	<u>1,399,859</u>	<u>3,446,641</u>	<u>(213,491)</u>
Beginning plan fiduciary net position	<u>18,777,859</u>	<u>19,369,005</u>	<u>20,768,864</u>	<u>24,215,505</u>
<b>Ending Plan Fiduciary Net Position</b>	<u><u>\$ 19,369,005</u></u>	<u><u>\$ 20,768,864</u></u>	<u><u>\$ 24,215,505</u></u>	<u><u>\$ 24,002,014</u></u>
<b>Net Pension Liability</b>	<u><u>\$ 5,594,297</u></u>	<u><u>\$ 5,466,168</u></u>	<u><u>\$ 4,129,838</u></u>	<u><u>\$ 6,662,030</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	77.59%	79.16%	85.43%	78.27%
<b>Covered Payroll</b>	\$ 6,314,801	\$ 6,531,284	\$ 7,305,279	\$ 7,908,524
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	88.59%	83.69%	56.53%	84.24%

\*Only four years of information are currently available. The City will build this schedule over the next six-year period.

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**CITY OF CONVERSE, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
Last ten fiscal years

	Fiscal Year*			
	2016	2017	2018	2019
Actuarially determined contribution	\$ 928,862	\$ 1,021,029	\$ 1,106,307	\$ 1,162,633
Contributions in relation to the actuarially determined contribution	928,862	1,021,029	1,106,307	1,162,633
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,668,257	\$ 7,138,244	\$ 7,761,104	\$ 8,393,002
Contributions as a percentage of covered payroll	13.93%	14.30%	14.25%	13.85%

\*Only four years of information are currently available. The City will build this schedule over the next six year period.

**Notes to Required Supplementary Information:**

1.Valuation Date:

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

2.Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2018 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3.Other Information:

There were no benefit changes during the year.

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**CITY OF CONVERSE, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**RETIREE HEALTH CARE PLAN**  
**Last ten fiscal years**

	<b>Measurement Year*</b>	
	<b>2017</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 25,628	\$ 29,505
Interest (on the total OPEB liability)	21,961	20,686
Difference between expected and actual experience	-	(2,638)
Change of assumptions	28,206	(23,543)
Benefit payments	(29,113)	(29,294)
<b>Net Change in Total OPEB Liability</b>	<b>46,682</b>	<b>(5,284)</b>
Beginning total OPEB liability	578,156	624,838
<b>Ending Total OPEB Liability</b>	<b>\$ 624,838</b>	<b>\$ 619,554</b>
 <b>Covered Payroll</b>	 \$ 6,437,334	 \$ 7,240,254
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 9.71%	 8.56%

\*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

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**CITY OF CONVERSE, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
Last ten fiscal years

	Measurement Year*	
	2017	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 16,072	\$ 19,771
Interest (on the total OPEB liability)	9,619	10,146
Difference between expected and actual experience	-	(4,269)
Change of assumptions	26,025	(24,332)
Benefit payments	(1,461)	(1,582)
<b>Net Change in Total OPEB Liability</b>	<b>50,255</b>	<b>(266)</b>
Beginning total OPEB liability	247,165	297,420
<b>Ending Total OPEB Liability</b>	<b>\$ 297,420</b>	<b>\$ 297,154</b>
<b>Covered Payroll</b>	<b>\$ 7,305,279</b>	<b>\$ 7,908,524</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>4.07%</b>	<b>3.76%</b>

\*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

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

**Notes to Required Supplementary Information:**

Valuation Date:

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
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

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

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Change in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

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***COMBINING STATEMENTS  
AND SCHEDULES***

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**CITY OF CONVERSE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**

For the Year Ended September 30, 2019

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Ad valorem taxes	\$ 1,580,633	\$ 1,564,890	\$ (15,743)
Investment earnings	-	1,569	1,569
<b>Total Revenues</b>	1,580,633	1,566,459	(14,174)
<b><u>Expenditures</u></b>			
Debt service:			
Principal	980,000	980,000	-
Interest and fiscal agent fees	600,633	600,633	-
<b>Total Expenditures</b>	1,580,633	1,580,633	-
<b>(Deficiency) of Revenues (Under) Expenditures</b>	-	(14,174)	(14,174)
<b><u>Other Financing Sources</u></b>			
Transfers in	-	25,000	25,000
<b>Total Other Financing Sources</b>	-	25,000	25,000
<b>Net Change in Fund Balance</b>	\$ -	10,826	\$ 10,826
Beginning fund balance		1,499	
<b>Ending Fund Balance</b>		\$ 12,325	

# CITY OF CONVERSE, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

	<b>Converse Housing Finance Corporation</b>	<b>Converse Public Facility Corporation</b>	<b>Court Technology</b>	<b>Court Security</b>
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 27,299	\$ 1,153,464	\$ 8,305	\$ 24,453
Investments	172,497	-	-	-
Receivables, net	-	128,452	-	-
Due from other funds	-	-	-	-
Prepaid costs	-	-	-	-
<b>Total Assets</b>	<b>\$ 199,796</b>	<b>\$ 1,281,916</b>	<b>\$ 8,305</b>	<b>\$ 24,453</b>
<b><u>Liabilities:</u></b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 219
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219</b>
<b><u>Fund Balances:</u></b>				
Restricted:				
Public safety	-	-	-	-
Communication	-	-	-	-
Court security	-	-	-	24,234
Court technology	-	-	8,305	-
Housing finance corporation	199,796	-	-	-
Public facility corporation	-	1,281,916	-	-
Museum	-	-	-	-
Historic preservation commission	-	-	-	-
Parkland dedication	-	-	-	-
Animal care donations	-	-	-	-
Park bench donations	-	-	-	-
<b>Total Fund Balances</b>	<b>199,796</b>	<b>1,281,916</b>	<b>8,305</b>	<b>24,234</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 199,796</b>	<b>\$ 1,281,916</b>	<b>\$ 8,305</b>	<b>\$ 24,453</b>

<b>PEG</b>	<b>Street Mainenance</b>	<b>Police State Seizure</b>	<b>Police Federal Seizure</b>	<b>Police Blue Santa Program</b>	<b>Police Crime Prevention</b>
\$ 302,411	\$ 607,019	\$ 18,185	\$ 148,296	\$ 11,348	\$ 9
-	-	-	-	-	-
11,587	118,848	-	-	-	-
-	-	5,000	7,650	-	-
2,178	-	-	-	-	-
<u>\$ 316,176</u>	<u>\$ 725,867</u>	<u>\$ 23,185</u>	<u>\$ 155,946</u>	<u>\$ 11,348</u>	<u>\$ 9</u>
\$ -	\$ 96,757	\$ 1,580	\$ 8,442	\$ -	\$ -
-	96,757	1,580	8,442	-	-
-	-	21,605	147,504	11,348	9
316,176	629,110	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
316,176	629,110	21,605	147,504	11,348	9
<u>\$ 316,176</u>	<u>\$ 725,867</u>	<u>\$ 23,185</u>	<u>\$ 155,946</u>	<u>\$ 11,348</u>	<u>\$ 9</u>

# CITY OF CONVERSE, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

	<u>LEOSE Training</u>	<u>Museum</u>	<u>Historic Preservation Commission</u>	<u>Parkland Dedication</u>
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 5,013	\$ 18,312	\$ 2,218	\$ 62,231
Investments	-	-	-	-
Receivables, net	-	-	-	-
Due from other funds	-	-	-	-
Prepaid costs	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,013</b>	<b>\$ 18,312</b>	<b>\$ 2,218</b>	<b>\$ 62,231</b>
<b><u>Liabilities:</u></b>				
Acc liabilities	\$ -	\$ 512	\$ 152	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>512</b>	<b>152</b>	<b>-</b>
<b><u>Fund Balances:</u></b>				
Restricted:				
Public safety	5,013	-	-	-
Communication	-	-	-	-
Court security	-	-	-	-
Court technology	-	-	-	-
Housing finance corporation	-	-	-	-
Public facility corporation	-	-	-	-
Museum	-	17,800	-	-
Historic preservation commission	-	-	2,066	-
Parkland dedication	-	-	-	62,231
Animal care donations	-	-	-	-
Park bench donations	-	-	-	-
<b>Total Fund Balances</b>	<b>5,013</b>	<b>17,800</b>	<b>2,066</b>	<b>62,231</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,013</b>	<b>\$ 18,312</b>	<b>\$ 2,218</b>	<b>\$ 62,231</b>

<b>Animal Care Donations</b>	<b>Park Bench Donations</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 3,468	\$ 101,942	\$ 2,493,973
-	-	172,497
-	-	258,887
-	-	12,650
-	-	2,178
<u>\$ 3,468</u>	<u>\$ 101,942</u>	<u>\$ 2,940,185</u>
\$ -	\$ -	\$ 107,662
<u>-</u>	<u>-</u>	<u>107,662</u>
-	-	185,479
-	-	945,286
-	-	24,234
-	-	8,305
-	-	199,796
-	-	1,281,916
-	-	17,800
-	-	2,066
-	-	62,231
3,468	-	3,468
-	101,942	101,942
<u>3,468</u>	<u>101,942</u>	<u>2,832,523</u>
<u>\$ 3,468</u>	<u>\$ 101,942</u>	<u>\$ 2,940,185</u>

**CITY OF CONVERSE, TEXAS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2019

	<b>Converse Housing Finance Corporation</b>	<b>Converse Public Facility Corporation</b>	<b>Court Technology</b>	<b>Court Security</b>
<b>Revenues</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	10,143	6,928
Grants and contributions	-	-	-	-
Investment earnings	1,574	25,781	-	-
Other revenue	7,500	179,972	-	-
<b>Total Revenues</b>	<b>9,074</b>	<b>205,753</b>	<b>10,143</b>	<b>6,928</b>
<b>Expenditures</b>				
Current:				
General government	-	-	13,298	26,608
Public safety	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>13,298</b>	<b>26,608</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>9,074</b>	<b>205,753</b>	<b>(3,155)</b>	<b>(19,680)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>9,074</b>	<b>205,753</b>	<b>(3,155)</b>	<b>(19,680)</b>
Beginning fund balances	190,722	1,076,163	11,460	43,914
<b>Ending Fund Balances</b>	<b>\$ 199,796</b>	<b>\$ 1,281,916</b>	<b>\$ 8,305</b>	<b>\$ 24,234</b>

<b>PEG</b>	<b>Street Maintenance</b>	<b>Police State Seizure</b>	<b>Police Federal Seizure</b>	<b>Police Blue Santa Program</b>	<b>Police Crime Prevention</b>
\$ 47,121	\$ 443,795	\$ -	\$ -	\$ -	\$ -
-	-	15,036	-	-	-
-	310,000	-	-	7,960	-
7,815	5,030	395	5,134	-	-
-	-	-	-	-	2,099
<u>54,936</u>	<u>758,825</u>	<u>15,431</u>	<u>5,134</u>	<u>7,960</u>	<u>2,099</u>
11,109	-	-	24,632	6,587	-
-	-	-	37,507	-	4,901
47,852	804,977	4,000	63,851	-	-
<u>58,961</u>	<u>804,977</u>	<u>4,000</u>	<u>125,990</u>	<u>6,587</u>	<u>4,901</u>
<u>(4,025)</u>	<u>(46,152)</u>	<u>11,431</u>	<u>(120,856)</u>	<u>1,373</u>	<u>(2,802)</u>
-	375,000	-	-	-	-
-	375,000	-	-	-	-
(4,025)	328,848	11,431	(120,856)	1,373	(2,802)
320,201	300,262	10,174	268,360	9,975	2,811
<u>\$ 316,176</u>	<u>\$ 629,110</u>	<u>\$ 21,605</u>	<u>\$ 147,504</u>	<u>\$ 11,348</u>	<u>\$ 9</u>

**CITY OF CONVERSE, TEXAS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Continued)**  
For the Year Ended September 30, 2019

	<u>LEOSE Training</u>	<u>Museum</u>	<u>Historic Preservation Commission</u>	<u>Parkland Dedication</u>
<b>Revenues</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Grants and contributions	3,712	300	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	43,681
<b>Total Revenues</b>	<u>3,712</u>	<u>300</u>	<u>-</u>	<u>43,681</u>
<b>Expenditures</b>				
Current:				
General government	-	13,026	-	-
Public safety	-	-	-	-
Capital outlay	-	10,854	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>23,880</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>3,712</u>	<u>(23,580)</u>	<u>-</u>	<u>43,681</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	40,000	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>3,712</u>	<u>16,420</u>	<u>-</u>	<u>43,681</u>
Beginning fund balances	1,301	1,380	2,066	18,550
<b>Ending Fund Balances</b>	<u>\$ 5,013</u>	<u>\$ 17,800</u>	<u>\$ 2,066</u>	<u>\$ 62,231</u>



<b>Animal Care Donations</b>	<b>Park Bench Donations</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ 490,916
-	-	32,107
3,468	101,942	427,382
-	-	45,729
-	-	233,252
<u>3,468</u>	<u>101,942</u>	<u>1,229,386</u>
-	-	95,260
-	-	42,408
-	-	931,534
<u>-</u>	<u>-</u>	<u>1,069,202</u>
<u>3,468</u>	<u>101,942</u>	<u>160,184</u>
-	-	415,000
-	-	415,000
<u>3,468</u>	<u>101,942</u>	<u>575,184</u>
-	-	2,257,339
<u>\$ 3,468</u>	<u>\$ 101,942</u>	<u>\$ 2,832,523</u>

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