



**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**



CITY OF

**CONVERSE**

CONNECTING COMMUNITY + COMMERCE™

CITY OF CONVERSE, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

AL SUAREZ

CITY COUNCIL

SHAWN RUSSELL

DEBORAH JAMES

NANCY DRONENBURG

DANA LOSEY

RICHARD WENDT

MARC GILBERT

CITY MANAGER

LE ANN PIATT

CITY ATTORNEY

FELIX ARAMBULA III





# Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the City Council  
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 City of Converse, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Converse, Texas's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 City of Converse, Texas, as of September 30, 2020, 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, and budgetary comparison information, and pension and other post employment benefit schedules as listed in 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 of Converse, Texas' basic financial statements as a whole. The combining nonmajor fund financial statements, and schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, *Uniform Administrative Requirements, Cost principals, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of the City of Converse, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Converse, Texas' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

March 23, 2021

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Converse’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

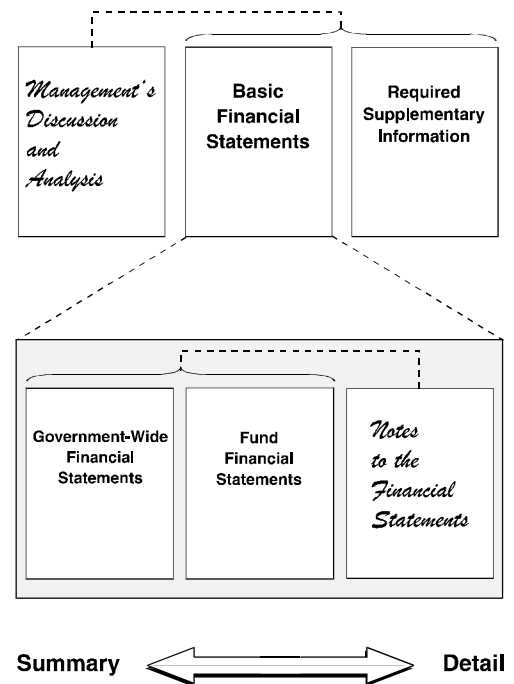
- The City’s total combined net position was \$59.5 million at September 30, 2020. Of this amount, \$46 million is invested in capital assets and \$12.5 million is restricted. The City’s total unrestricted net position is \$977 thousand.
- The City’s governmental activities revenues (including transfers from the utility fund) grew 15% from the prior year and total governmental expenses were 6% less than revenues, for a net increase in position of just over \$1 million.
- The City’s business-type activities (utility fund) revenues (including transfers to governmental funds) grew 22% from the prior year and total business-type expenses were up 39%, for a net decrease in position of \$1 million. This decline in net position was a result of the meter replacement project.
- The City transferred \$475,000 from the utility fund to the street fund to pay wear and tear on the City’s infrastructure.
- The Utility Fund issued \$2.4 million in tax notes in support of a meter upgrade and replacement project.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

Figure A-1F, Required Components of the City’s Annual Financial Report



- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
	<b>Fund Statements</b>		
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the town that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: wastewater
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### **Government-Wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City’s tax base.
- The government-wide financial statements of the City include the *Governmental activities*. Most of the City’s basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City’s most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table A-1 shows all of the assets and liabilities of the City on an accrual basis. The City's combined net position was \$59.5 million at September 30, 2020.

**Table A-1**  
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2020	2019*	2020	2019*	2020	2019*	
<i>Assets:</i>							
Current and Other Assets	\$ 10,628,074	\$ 10,479,425	\$ 13,265,810	\$ 12,600,970	\$ 23,893,884	\$ 23,080,395	3.5
Capital Assets (net)	51,853,999	52,409,900	16,928,650	17,266,282	68,782,649	69,676,182	(1.3)
<i>Total Assets</i>	<u>62,482,073</u>	<u>62,889,325</u>	<u>30,194,460</u>	<u>29,867,252</u>	<u>92,676,533</u>	<u>92,756,577</u>	(0.1)
<i>Deferred Outflows:</i>	<u>1,233,527</u>	<u>2,160,236</u>	<u>145,002</u>	<u>203,991</u>	<u>1,378,529</u>	<u>2,364,227</u>	(41.7)
<i>Liabilities:</i>							
Current Liabilities	1,522,206	1,862,984	726,407	1,267,096	2,248,613	3,130,080	(28.2)
Long-Term Liabilities	27,982,779	30,750,237	3,435,777	1,743,214	31,418,556	32,493,451	(3.3)
<i>Total Liabilities</i>	<u>29,504,985</u>	<u>32,613,221</u>	<u>4,162,184</u>	<u>3,010,310</u>	<u>33,667,169</u>	<u>35,623,531</u>	(5.5)
<i>Deferred Inflows:</i>	<u>761,841</u>	<u>84,666</u>	<u>90,054</u>	<u>13,386</u>	<u>851,895</u>	<u>98,052</u>	768.8
<i>Net Position:</i>							
Invested in Capital Assets	29,756,563	30,651,325	16,273,069	16,371,912	46,029,632	47,023,237	(2.1)
Restricted	2,049,410	2,845,573	10,479,002	429,575	12,528,412	3,275,148	282.5
Unrestricted	1,642,801	(1,145,224)	(664,847)	10,246,060	977,954	9,100,836	(89.3)
<i>Total Net Position</i>	<u>\$ 33,448,774</u>	<u>\$ 32,351,674</u>	<u>\$ 26,087,224</u>	<u>\$ 27,047,547</u>	<u>\$ 59,535,998</u>	<u>\$ 59,399,221</u>	0.2

\* Modified for effect of prior period adjustment

Table A-2 summarizes the expenses and revenues of the City and is also presented on an accrual basis.

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2020	2019*	2020	2019*	2020	2019*	
<i>Program Revenues:</i>							
Charges for Services	\$ 2,411,609	\$ 2,613,965	\$ 10,212,961	\$ 8,464,383	\$ 12,624,570	\$ 11,078,348	14.0
Operating Grants and Contributions	1,612,937	722,331	-	-	1,612,937	722,331	123.3
Capital Grants and Contributions	760,147	-	-	-	760,147	-	100.0
<i>General Revenues:</i>							
Taxes	12,961,201	11,598,995	-	-	12,961,201	11,598,995	11.7
Interest Earnings	125,826	300,158	128,968	231,193	254,794	531,351	(52.0)
Miscellaneous	311,788	395,432	-	-	311,788	395,432	(21.2)
Transfers	475,000	625,000	(475,000)	(625,000)	-	-	0.0
<b>TOTAL REVENUES</b>	<u>18,658,508</u>	<u>16,255,881</u>	<u>9,866,929</u>	<u>8,070,576</u>	<u>28,525,437</u>	<u>24,326,457</u>	17.3
<i>Program Expenses:</i>							
General Government	2,554,716	642,651	-	-	2,554,716	642,651	297.5
Court	234,020	246,538	-	-	234,020	246,538	(5.1)
Public Safety	5,801,337	5,639,547	-	-	5,801,337	5,639,547	2.9
Fire and EMS	4,048,587	4,384,196	-	-	4,048,587	4,384,196	(7.7)
Public Works	3,586,214	4,217,091	-	-	3,586,214	4,217,091	(15.0)
Parks and Recreation	751,746	424,133	-	-	751,746	424,133	77.2
Library	353,298	207,775	-	-	353,298	207,775	70.0
Water & Wastewater	-	-	10,827,252	7,767,524	10,827,252	7,767,524	39.4
Interest and Fiscal Agent Fees	231,490	624,542	-	17,033	231,490	641,575	(63.9)
<b>TOTAL EXPENSES</b>	<u>17,561,408</u>	<u>16,386,473</u>	<u>10,827,252</u>	<u>7,784,557</u>	<u>28,388,660</u>	<u>24,171,030</u>	17.4
Increase (Decrease) in Net Position	<u>\$ 1,097,100</u>	<u>\$ (130,592)</u>	<u>\$ (960,323)</u>	<u>\$ 286,019</u>	<u>\$ 136,777</u>	<u>\$ 155,427</u>	12.0

\* Modification for Prior Period Adjustments were not made

Increases in Governmental revenues were driven by the receipt of Coronavirus Relief Funding, a greenway trail development grant, and sales tax collections. Utility fund revenues were bolstered by ordinance rate increases as well as growth from an expanding population, and expenses increased primarily due to a \$2.4 million meter upgrade project. Table A-3 presents the revenues and expenses associated with each of the City's primary activities:

**Table A-3**  
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019	2020-2019	2020	2019	2020-2019
General Government	\$ 2,554,716	\$ 642,651	297.5	\$ 418,636	\$ (1,398,780)	(129.9)
Municipal Court	234,020	246,538	(5.1)	(92,415)	(325,996)	(71.7)
Public Safety	5,801,337	5,639,547	2.9	5,741,828	5,639,547	1.8
Fire and EMS	4,048,587	4,384,196	(7.7)	2,587,540	4,384,196	(41.0)
Public Works	3,586,214	4,217,091	(15.0)	3,560,271	3,494,760	1.9
Parks and Recreation	751,746	424,133	77.2	(13,700)	424,133	(103.2)
Library	353,298	207,775	70.0	343,065	624,542	(45.1)
Water & Wastewater	10,827,252	7,767,524	39.4	614,291	(679,826)	(190.4)

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's general fund balance increased \$575 thousand to \$5.3 million, a 12% increase from the prior year. The City's nonmajor governmental fund balance increased \$432 thousand, due primarily to a \$475 thousand transfer from the utility fund to the Street Maintenance fund. Overall, the City's governmental fund balances increased \$331 thousand, to \$8.9 million.

### General Fund Budgetary Highlights

The City's actual general fund revenue was over budget \$207 thousand overall, due primarily to greater than projected sales tax collections and stronger than expected permitting activities. General fund expenditures were under budget \$647 thousand; all primary general fund activities were below budget and contributed to this favorable variance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2020, the City had invested \$108 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$2.3 million or 2.2%.

**Table A-4**  
City's Capital Assets  
(in thousands dollars)

	Governmental		Business-Type		Total		Percentage Change 2020-2019
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Land	\$ 14,639	\$ 14,639	\$ 194	\$ 194	\$ 14,832	\$ 14,832	0.0
Water Acquisition Rights	-	-	3,816	3,816	3,816	3,816	0.0
Buildings and Improvements	16,587	16,520	364	364	16,951	16,883	0.4
Infrastructure	15,305	8,618	-	-	15,305	8,618	77.6
Equipment	30,637	30,301	22,071	22,071	52,709	52,373	0.6
Water and Wastewater System	-	-	2,427	2,168	2,427	2,168	11.9
Construction in Progress	1,476	6,686	180	-	1,656	6,686	(75.2)
Totals at Historical Cost	78,644	76,764	29,052	28,613	107,696	105,377	2.2
Total Accumulated Depreciation	(26,790)	(24,354)	(12,123)	(11,346)	(38,913)	(35,700)	9.0
Net Capital Assets	\$ 51,854	\$ 52,410	\$ 16,929	\$ 17,266	\$ 68,783	\$ 69,676	(1.3)

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

### Long Term Debt

At year-end the City had \$25.1 million in bonds, notes and capital leases outstanding as shown in Table A-5. The City issued \$2.4 million of tax notes to fund a meter replacement and upgrade project. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
City's Long-Term Debt  
(in thousands dollars)

	Governmental		Business-Type		Total		Percentage Change 2020-2019
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Bonds Payable	\$ 21,620	\$ 22,760	\$ 645	\$ 845	\$ 22,265	\$ 23,605	(5.7)
Bond Premiums	387	410	11	16	398	426	(6.6)
Tax Notes	-	-	2,120	-	2,120	-	100.0
Capital Leases	357	556	-	-	357	556	(35.8)
Total Debt	\$ 22,364	\$ 23,726	\$ 2,776	\$ 861	\$ 25,140	\$ 24,587	2.2

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The FY 2020-2021 adopted budget for the General Fund included total revenues of \$15.7 million and total expenditures of \$15.7 million. The total adopted property tax rate (maintenance and operation plus interest and sinking) of \$0.502252 per \$100 valuation, represents an increase of \$.01 per \$100. The combination of the rate increase and property value changes is expected to net the city an additional \$400 thousand in ad valorem revenues. The City's budget for fiscal year 2021 includes the addition of two police officers and three public safety vehicles and three additional employees in public works.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Le Ann Piatt, City Manager, at City of Converse, 406 S. Seguin, Converse, Texas 78109, or visit the City's website at: <https://www.conversetx.net>.



## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



CITY OF

**CONVERSE**

CONNECTING COMMUNITY + COMMERCE™

CITY OF CONVERSE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,976,345	\$ 11,862,009	\$ 19,838,354	\$ 3,217,482
Investments	173,535	-	173,535	-
Receivables (Net of Allowances for Uncollectibles)				
Ad Valorem Taxes	178,471	-	178,471	-
Other	2,278,607	1,150,975	3,429,582	139,423
Prepays	21,116	-	21,116	-
Inventory	-	252,826	252,826	-
Capital Assets:				
Nondepreciable Capital Assets	16,114,648	4,189,826	20,304,474	4,128,553
Depreciable Capital Assets, Net	35,739,351	12,738,824	48,478,175	120,349
<b>TOTAL ASSETS</b>	<b>62,482,073</b>	<b>30,194,460</b>	<b>92,676,533</b>	<b>7,605,807</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows - Pensions	1,110,719	135,058	1,245,777	28,766
Deferred Outflows - OPEB	122,808	9,944	132,752	1,081
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,233,527</b>	<b>145,002</b>	<b>1,378,529</b>	<b>29,847</b>
<b>LIABILITIES</b>				
<i>Current Liabilities:</i>				
Accounts Payable and Accrued Liabilities	1,211,034	427,368	1,638,402	78,561
Customer Deposits	103,305	278,862	382,167	-
Accrued Interest Payable	98,584	10,607	109,191	11,669
Accrued Compensated Absences	109,283	9,570	118,853	1,782
<i>Noncurrent Liabilities:</i>				
Accrued Compensated Absences	327,850	28,709	356,559	5,346
Net Pension Liability	4,344,484	528,266	4,872,750	112,514
Total Other Post Employment Benefit Liability	946,271	103,221	1,049,492	11,218
Long-term Debt Due Within One Year	1,318,425	550,290	1,868,715	141,000
Long-Term Debt Due in More Than One Year	21,045,749	2,225,291	23,271,040	960,000
<b>TOTAL LIABILITIES</b>	<b>29,504,985</b>	<b>4,162,184</b>	<b>33,667,169</b>	<b>1,322,090</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - Pensions	740,610	90,054	830,664	19,180
Deferred Inflows - OPEB	21,231	-	21,231	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>761,841</b>	<b>90,054</b>	<b>851,895</b>	<b>19,180</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	29,756,563	16,273,069	46,029,632	3,147,902
Restricted For:				
Capital Projects	80,555	-	80,555	-
Debt Service	-	303,172	303,172	-
Economic Development	-	-	-	3,146,482
Special Revenue Projects	1,968,855	-	1,968,855	-
Impact and Acquisition Fees	-	10,175,830	10,175,830	-
Unrestricted (Deficit)	1,642,801	(664,847)	977,954	-
<b>TOTAL NET POSITION</b>	<b>\$ 33,448,774</b>	<b>\$ 26,087,224</b>	<b>\$ 59,535,998</b>	<b>\$ 6,294,384</b>

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Functions and Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
General Government	\$ 2,554,716	\$ 1,638,781	\$ 497,299	\$ -
Municipal Court	234,020	326,435	-	-
Public Safety	5,801,337	28,668	30,841	-
Fire and EMS	4,048,587	376,882	1,084,165	-
Public Works	3,586,214	25,943	-	-
Parks and Recreation	751,746	5,299	-	760,147
Library	353,298	9,601	632	-
Interest and Other Fees	231,490	-	-	-
<b>Total Governmental Activities</b>	<u>17,561,408</u>	<u>2,411,609</u>	<u>1,612,937</u>	<u>760,147</u>
<b>Business-Type Activities</b>				
Water and Wastewater Utilities	10,827,252	10,212,961	-	-
<b>Total Business-Type Activities</b>	<u>10,827,252</u>	<u>10,212,961</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 28,388,660</u>	<u>\$ 12,624,570</u>	<u>\$ 1,612,937</u>	<u>\$ 760,147</u>
<b>Component Unit:</b>				
Economic Development Corporation	\$ 892,371	\$ -	\$ -	\$ -
<b>General Revenues:</b>				
Taxes:				
Property				
Sales and Mixed Beverage Taxes				
Franchise Taxes				
Investment Earnings				
Other				
<b>Total General Revenues</b>				
Transfers				
Change in Net Position				
<b>Net Position at Beginning of Year</b>				
Prior Period Adjustment				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Economic Development Corporation
Governmental Activities	Business-Type Activities	Total	
\$ (418,636)		\$ (418,636)	
92,415		92,415	
(5,741,828)		(5,741,828)	
(2,587,540)		(2,587,540)	
(3,560,271)		(3,560,271)	
13,700		13,700	
(343,065)		(343,065)	
(231,490)		(231,490)	
<u>(12,776,715)</u>		<u>(12,776,715)</u>	
	\$ (614,291)	(614,291)	
	<u>(614,291)</u>	<u>(614,291)</u>	
<u>(12,776,715)</u>	<u>(614,291)</u>	<u>(13,391,006)</u>	
			\$ (892,371)
7,822,381	-	7,822,381	-
3,679,611	-	3,679,611	733,625
1,459,209	-	1,459,209	-
125,826	128,968	254,794	30,027
311,788	-	311,788	548,969
<u>13,398,815</u>	<u>128,968</u>	<u>13,527,783</u>	<u>1,312,621</u>
<u>475,000</u>	<u>(475,000)</u>	<u>-</u>	<u>-</u>
1,097,100	(960,323)	136,777	420,250
33,755,156	27,014,048	60,769,204	5,874,134
(1,403,482)	33,499	(1,369,983)	-
<u>\$ 33,448,774</u>	<u>\$ 26,087,224</u>	<u>\$ 59,535,998</u>	<u>\$ 6,294,384</u>

CITY OF CONVERSE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,580,397	\$ 461,077	\$ 6,682	\$ 2,928,190	\$ 7,976,346
Investments	-	-	-	173,535	173,535
Receivables (Net of Allowances for Uncollectibles):					
Property Taxes	137,683	-	40,788	-	178,471
Other	1,701,496	393,112	-	183,999	2,278,607
Due from Other Funds	366,190	-	-	-	366,190
Prepaid Items	21,116	-	-	-	21,116
<b>TOTAL ASSETS</b>	<b>\$ 6,806,882</b>	<b>\$ 854,189</b>	<b>\$ 47,470</b>	<b>\$ 3,285,724</b>	<b>\$ 10,994,265</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<i>Liabilities:</i>					
Accounts Payable	\$ 1,048,884	\$ 140,706	\$ -	\$ 21,444	\$ 1,211,034
Due to Other Funds	-	366,190	-	-	366,190
Customer Deposits	103,305	-	-	-	103,305
<i>Total Liabilities</i>	<u>1,152,189</u>	<u>506,896</u>	<u>-</u>	<u>21,444</u>	<u>1,680,529</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Property Tax Revenues	137,683	-	40,788	-	178,471
Unavailable EMS Revenues	240,953	-	-	-	240,953
<i>Total Deferred Inflows of Resources</i>	<u>378,636</u>	<u>-</u>	<u>40,788</u>	<u>-</u>	<u>419,424</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepays	21,116	-	-	-	21,116
Restricted for:					
Police Department	729	-	-	-	729
Capital Projects	-	347,293	-	-	347,293
Debt Service	-	-	6,682	-	6,682
Public Safety	-	-	-	100,445	100,445
Municipal Court	-	-	-	24,201	24,201
Communication	-	-	-	272,855	272,855
Special Services	-	-	-	1,571,354	1,571,354
Unassigned	5,254,212	-	-	1,295,425	6,549,637
<i>Total Fund Balances</i>	<u>5,276,057</u>	<u>347,293</u>	<u>6,682</u>	<u>3,264,280</u>	<u>8,894,312</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,806,882</b>	<b>\$ 854,189</b>	<b>\$ 47,470</b>	<b>\$ 3,285,724</b>	<b>\$ 10,994,265</b>

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 8,894,312

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. 51,853,999

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not available in the funds. 419,424

Long-term liabilities are not due and payable in the current period and therefore, not reported in the funds:

Bonds Payable	(22,364,174)	
Compensated Absences	(437,134)	
Accrued Interest on Bonds	<u>(98,584)</u>	(22,899,892)

Net pension liabilities (and related deferred outflows of resources) do not consume current financial resources and are not reported in the funds.

Net Pension Liability	(4,344,484)	
Pension Related Deferred Outflows	1,110,719	
Pension Related Deferred Inflows	<u>(740,610)</u>	(3,974,375)

Total Other Post Employment Benefit (OPEB) liabilities (and related deferred outflows of resources) do not consume current financial resources and are not reported in the funds.

Total OPEB Liability	(946,271)	
OPEB Related Deferred Outflows	122,808	
OPEB Related Deferred Inflows	<u>(21,231)</u>	<u>(844,694)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 33,448,774

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 6,147,748	\$ -	\$ 1,660,607	\$ -	\$ 7,808,355
Sales & Mixed Beverage Taxes	2,945,986	-	-	733,625	3,679,611
Franchise Taxes	1,294,629	-	-	-	1,294,629
Licenses and Permits	1,122,050	-	-	-	1,122,050
Fines and Forfeitures	315,263	-	-	30,879	346,142
Parks and Pool Fees	1,464,439	-	-	-	1,464,439
Grants and Contributions	940,795	760,147	-	-	1,700,942
Interest	77,013	13,721	3,564	31,526	125,824
Other Revenues	354,849	-	81,932	317,831	754,612
<b>TOTAL REVENUES</b>	<u>14,662,772</u>	<u>773,868</u>	<u>1,746,103</u>	<u>1,113,861</u>	<u>18,296,604</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General Government	2,720,475	-	-	125,585	2,846,060
Municipal Court	200,118	-	-	-	200,118
Public Safety	4,512,308	-	-	21,331	4,533,639
Fire and EMS	3,575,309	-	-	-	3,575,309
Public Works	2,015,997	-	-	-	2,015,997
Parks and Recreation	304,632	-	-	-	304,632
Library	347,338	-	-	-	347,338
<i>Capital Outlay</i>	266,825	1,443,943	-	1,010,188	2,720,956
<i>Debt Service:</i>					
Principal	130,692	-	1,140,000	-	1,270,692
Interest and Fiscal Charges	14,511	-	611,746	-	626,257
<b>TOTAL EXPENDITURES</b>	<u>14,088,205</u>	<u>1,443,943</u>	<u>1,751,746</u>	<u>1,157,104</u>	<u>18,440,998</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>574,567</u>	<u>(670,075)</u>	<u>(5,643)</u>	<u>(43,243)</u>	<u>(144,394)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	475,000	475,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,000</u>	<u>475,000</u>
<b>Net Change in Fund Balances</b>	574,567	(670,075)	(5,643)	431,757	330,606
Fund Balances (Deficit) at Beginning of Year	4,701,490	1,017,368	12,325	2,832,523	8,563,706
Fund Balances (Deficit) at End of Year	<u>\$ 5,276,057</u>	<u>\$ 347,293</u>	<u>\$ 6,682</u>	<u>\$ 3,264,280</u>	<u>\$ 8,894,312</u>

See accompanying notes to basic financial statements.



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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 330,606

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Current Year Purchases	2,089,071	
Current Period Depreciation	<u>(2,585,095)</u>	(496,024)

Proceeds from the sale of capital assets are recorded as an other financing source in governmental funds. On the statement of activities these proceeds are reduced by the net book value of capital assets disposed. This amount represents the net book value of capital assets disposed during the year. (59,876)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Property Tax	14,027	
EMS Fees	<u>(77,594)</u>	(63,567)

The issuance of long-term debt (e.g. bonds, leases) 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 affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal on Capital Leases	199,088	
Bond Premiums	22,913	
Bond Principal Repayments	<u>1,140,000</u>	1,362,001

Governmental funds report required contributions to employee pensions and other post employment benefits as expenditures. However in the Statement of Activities the cost of these plans are recorded at the actuarially determined cost. This is the amount that actuarially determined plan cost exceeded contributions. (351,634)

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 governmental funds:

Compensated Absences	43,922	
Accrued Interest	<u>331,672</u>	<u>375,594</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,097,100

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
STATEMENT OF NET POSITION – PROPRIETARY WATER AND SEWER FUND  
SEPTEMBER 30, 2020

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$	11,862,009
Customer Accounts Receivable, Net of Allowance:		1,150,975
Inventory		252,826
<i>Total Current Assets</i>		13,265,810

*Noncurrent Assets:*

Capital Assets:

Nondepreciable Capital Assets		4,189,826
Depreciable Capital Assets		24,861,982
Less: Accumulated Depreciation		(12,123,158)
<i>Total Capital Assets</i>		16,928,650
<b>TOTAL ASSETS</b>		<b>30,194,460</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows - Pensions		135,058
Deferred Outflows - OPEB		9,944
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<b>145,002</b>

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
 STATEMENT OF NET POSITION – PROPRIETARY WATER AND SEWER FUND (CONTINUED)  
 SEPTEMBER 30, 2020

**LIABILITIES**

*Current Liabilities:*

Accounts Payable and Accrued Liabilities	\$	427,368
Accrued Interest Payable		10,607
Customer Deposits		278,862
Accrued Compensated Absences		9,570
<i>Total Current Liabilities</i>		726,407

*Noncurrent Liabilities:*

Accrued Compensated Absences		28,709
Net Pension Liability		528,266
Total Other Post Employment Benefit Liability		103,221
Long-Term Debt Due Within One Year		550,290
Long-Term Debt Due in More Than One Year		2,225,291
<i>Total Noncurrent Liabilities</i>		3,435,777

<b>TOTAL LIABILITIES</b>		4,162,184
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - Pensions		90,054
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		90,054

**NET POSITION**

Net Investment in Capital Assets		16,273,069
Restricted for:		
Water Acquisition		5,549,399
Water Impact		4,398,621
Sewer Impact		227,810
Debt Service		303,172
Unrestricted (Deficit)		(664,847)
<b>TOTAL NET POSITION</b>	<b>\$</b>	26,087,224

CITY OF CONVERSE, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY WATER AND SEWER FUND  
SEPTEMBER 30, 2020

<b>OPERATING REVENUES</b>	
Water Charges	\$ 3,469,282
Wastewater Charges	2,848,431
Garbage Charges	2,239,908
Stormwater Charges	620,606
Water Acquisition Fees	380,773
Impact Fees	371,111
Other Charges	282,850
<b>TOTAL OPERATING REVENUES</b>	<u>10,212,961</u>
<b>OPERATING EXPENSES</b>	
Administration	4,225,451
Garbage Collection	1,774,405
Water Billing and Meter Reading	387,709
Water Distribution	574,430
Water Wells	304,499
Wastewater Treatment	2,232,725
Wastewater Collection	268,555
Stormwater	353
Facility Maintenance	220,778
Depreciation	776,814
<b>TOTAL OPERATING EXPENSES</b>	<u>10,765,719</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(552,758)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment Earnings	128,968
Interest Expense	(61,533)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>67,435</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	(485,323)
Transfer Out	<u>(475,000)</u>
<b>CHANGE IN NET POSITION</b>	(960,323)
<b>NET POSITION AT BEGINNING OF YEAR</b>	27,014,048
Prior Period Adjustment	<u>33,499</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 26,087,224</u>

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
 STATEMENT OF CASH FLOWS - PROPRIETARY WATER AND SEWER FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Cash Flows From Operating Activities:</b>		
Cash Received From Customers and Users		\$ 10,079,746
Cash Paid to Employees for Services		(1,328,303)
Cash Paid to Supplier for Goods & Services		<u>(9,308,230)</u>
<b>Net Cash Provided (Used) by</b>		
<b>Operating Activities</b>		<u>(556,787)</u>
 <b>Cash Flows From Noncapital Financing Activities:</b>		
Cash Advances From/(To) Other Funds		<u>(475,000)</u>
<b>Net Cash Provided (Used) by</b>		
<b>Noncapital Financing Activities</b>		<u>(475,000)</u>
 <b>Cash Flows From Capital and Related</b>		
<b>Financing Activities:</b>		
Purchase/Construction of Capital Assets		(439,184)
Proceeds from Issuance of Tax Notes		2,445,000
Principal Payments on Debt		(525,000)
Interest Payments		<u>(61,849)</u>
<b>Net Cash Provided (Used) by Capital and</b>		
<b>Related Financing Activities</b>		<u>1,418,967</u>
 <b>Cash Flows From Investing Activities:</b>		
Interest and Investment Earnings		<u>128,968</u>
<b>Net Cash Provided (Used) by Investing Activities</b>		<u>128,968</u>
 <b>Net Increase (Decrease) in Cash</b>		
<b>and Cash Equivalents</b>		516,148
 <b>Cash and Cash Equivalents at Beginning of Year</b>		<u>11,345,861</u>
<b>Cash and Cash Equivalents at End of Year</b>		<u><u>\$ 11,862,009</u></u>
Unrestricted	<u>\$ 11,862,009</u>	<u>\$ 11,862,009</u>

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Reconciliation of Operating Income**

**to Net Cash Provided (Used) by**

**Operating Activities:**

Operating Income	\$	(552,758)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)		
by Operating Activities:		
Depreciation		776,814
Changes in Assets and Liabilities:		
Decrease (Increase) in Assets:		
Customer Receivable		(132,948)
Inventory		(15,743)
Increase (Decrease) in Liabilities:		
Accounts Payable		(554,966)
Customer Deposits		(267)
Net Pension Benefit Obligation		(107,002)
Net Other Postemployment Benefit Obligation		33,265
Compensated Absences		(3,182)
		(3,182)

**NET CASH PROVIDED BY (USED FOR)**

**OPERATING ACTIVITIES**

**\$ (556,787)**

**SCHEDULE OF NONCASH CAPITAL ACTIVITIES**

See accompanying notes to basic financial statements.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Converse are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board (GASB). A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. REPORTING ENTITY

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Converse. These operations include the police, fire and EMS services, municipal court, public works, parks/pool, court, library, and utilities.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City had the following blended component units:

Converse Public Facility Corporation – The Corporation was organized exclusively for the purpose of assisting the City in financing, refinancing or providing for public facilities. The Corporation shall have and possess the broadest possible powers to finance the 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. The board of directors consists of the City Council of the City of Converse.

Converse Housing Finance Corporation – The Corporation was organized exclusively for the purpose of providing the City and Public Facility Corporation in financing, refinancing or providing for public facilities. The board of directors consists of the seven (7) members appointed by the City Council of the City of Converse.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The City had the following discretely presented component unit:

The City of Converse Economic Development Corporation (EDC) – The EDC was organized for the purpose of promoting economic development in order to eliminate unemployment and underemployment and to promote and encourage employment and public welfare of, for, and on behalf of the City. The board of directors consists of seven (7) members appointed by the City Council. The City is financially accountable for the Corporation because the City Council approves the Corporation's budget. Separate financial statements for the Corporation may be obtained by contacting the City of Converse.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The **government-wide financial statements** (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the period for which they are levied.

**Governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and payable with current financial resources. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, grants, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Unavailable revenues are reported as deferred inflows of resources on the balance sheet.



CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

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

*The Capital Projects Fund* accounts for financial resources to be used for the acquisition and construction of major capital facilities and is principally financed by the sale of bonds or certificates of obligation and grants.

*The Debt Service Fund* is used to accumulate and disburse property taxes levied for the repayment of the City's debt.

**Proprietary Funds** are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The City reports the following major proprietary fund:

*The Water and Sewer System Fund* is used to account for the activities of the City's water and wastewater operations.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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 City's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City. Cash is reported as restricted when it has restrictions on its use narrower than the purpose of the fund in which it is reported. This can result in differences in presentation between fund statements and government-wide statements.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost.

6. RECEIVABLES AND PAYABLES

Activity between funds that represent lending/borrowing arrangements which are outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based upon experience and historical trend.

CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

6. RECEIVABLES AND PAYABLES (CONTINUED)

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value less exemptions. The City's property taxes are billed and collected by the Bexar County Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the subsequent calendar year. Penalties and interest on unpaid taxes are calculated at the rate of 1.5% per month of delinquency.

7. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

8. INVENTORY

The proprietary fund tracks inventory, primarily consisting of pipes, fittings and meters, based on the first in first out method.

9. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

Assets	Useful Lives (Years)
Buildings and Improvements	15 - 40
Streets and Improvements	10 - 40
Machinery and Equipment	5 - 30
Water and Wastewater System	5 - 50

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing unit completion of the project with interest earned on invested proceeds over the same period.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

10. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from the service of the City. All vacation and compensatory time pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

11. UNEARNED/UNAVAILABLE REVENUE

Some revenues are recognized when they become both measurable and available in the fund statements, such as property taxes and EMS fees. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenues not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow or resources). Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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 are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

13. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

13. FUND EQUITY (CONTINUED)

Committed – Represents amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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.

Assigned – Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time as Council has not designated any other individuals with the authority to make assignments.

Unassigned – Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second, and assigned third.

14. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

15. ESTIMATES

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

16. RECLASSIFICATIONS

Certain reclassifications were made to comparative financial information for the prior period to conform to presentation in the current period. These reclassifications had no effect on the changes in fund balance/net position.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE B -- DEPOSITS AND INVESTMENTS**

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

1. Deposits

At September 30, 2020, the deposits of the Primary Government and Economic Development Corporation were covered by a combination of FDIC and joint pledge of securities by their depository. All of the reporting entities deposits were fully collateralized.

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the City was in substantial compliance with the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

At year end, the City held investments in short-term certificates of deposit (covered by a combination of FDIC and pledged collateral) and public funds investment pools (TexPool and Texas Class). These investments were included in cash and cash equivalents.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE B -- DEPOSITS AND INVESTMENTS (CONTINUED)**

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At year end, the City's and EDC's combined deposits were not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

4. Investment Accounting Policy

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

CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE B -- DEPOSITS AND INVESTMENTS (CONTINUED)**

5. Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

**NOTE C -- RECEIVABLES**

Receivables as of year-end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Total
	General	Capital Projects	Nonmajor	
<i>Receivables:</i>				
Sales & Mixed Beverage Tax	\$ 559,316	\$ -	\$ 139,423	\$ 698,739
Franchise Fees	333,459	-	11,084	344,543
EMS Fees	346,415	-	-	346,415
EMS Allowance	(93,162)	-	-	(93,162)
Grant Receivables	540,792	393,112	-	933,904
Miscellaneous	14,676	-	33,492	48,168
Net Total Receivables	<u>\$ 1,701,496</u>	<u>\$ 393,112</u>	<u>\$ 183,999</u>	<u>\$ 2,278,607</u>

**NOTE D -- PROPERTY TAX**

The City’s property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of the estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A reevaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2019, upon which the fiscal 2020 levy was based, was \$1.592 billion (i.e., market value less exemptions). The estimated market value was \$1.843 billion, making the taxable value 86.4% of the estimated market value.



CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE D -- PROPERTY TAX (CONTINUED)**

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all government purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, included the payment of principal and interest on long-term debt, for the year ended September 30, 2020, was \$0.492252 per \$100 of assessed value, which means the City has a tax margin of \$2.007748 for each \$100 value and could increase its annual tax levy by approximately \$31.963 million based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

**NOTE E -- INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of September 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Capital Projects	\$ 366,190	Short-term pooled cash loan

The following schedule briefly summarizes the City's transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
Utility Fund	Street Maintenance Fund	\$ 475,000	Reimburse for Street Usage

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE F -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance*	Increases	Transfers/ Deletions	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets, Not Depreciated:</i>				
Land	\$ 14,638,700	\$ -	\$ -	\$ 14,638,700
Construction in Progress*	6,686,314	1,475,948	(6,686,314)	1,475,948
<i>Total Capital Assets Not Depreciated</i>	<u>21,325,014</u>	<u>1,475,948</u>	<u>(6,686,314)</u>	<u>16,114,648</u>
<i>Capital Assets, Depreciated:</i>				
Buildings and Improvements	16,519,510	67,743	-	16,587,253
Infrastructure	8,618,188	-	6,686,314	15,304,502
Equipment and Vehicles	30,301,252	545,380	(209,323)	30,637,309
<i>Total Capital Assets Depreciated</i>	<u>55,438,950</u>	<u>613,123</u>	<u>6,476,991</u>	<u>62,529,064</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(3,129,472)	(644,004)	-	(3,773,476)
Infrastructure*	(14,678,278)	(1,406,653)	-	(16,084,931)
Equipment and Vehicles	(6,546,315)	(534,438)	149,447	(6,931,306)
<i>Total Accumulated Depreciation</i>	<u>(24,354,065)</u>	<u>(2,585,095)</u>	<u>149,447</u>	<u>(26,789,713)</u>
Total Capital Assets Depreciated, Net	<u>31,084,885</u>	<u>(1,971,972)</u>	<u>6,626,438</u>	<u>35,739,351</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,409,899</u>	<u>\$ (496,024)</u>	<u>\$ (59,876)</u>	<u>\$ 51,853,999</u>

\* Updated for Prior Period Adjustment, see Note M

Depreciation expense was charged to governmental activities programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 418,733
Public Safety	213,204
Animal Control	2,124
Municipal Court	6,658
Fire and EMS	374,577
Public Works	1,401,848
Parks and Pool	107,624
Library	60,327
Total Depreciation Expense - Governmental Activities	<u>\$ 2,585,095</u>

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE F -- CAPITAL ASSETS (CONTINUED)**

	Beginning Balance*	Increases	Transfers/ Deletions	Ending Balance
<b>Business-Type Activities:</b>				
<i>Capital Assets, Not Depreciated:</i>				
Land	\$ 193,655	\$ -	\$ -	\$ 193,655
Construction in Process	-	180,455	-	180,455
Water Acquisition Rights	3,815,716	-	-	3,815,716
<i>Total Assets Not Depreciated</i>	<u>4,009,371</u>	<u>180,455</u>	<u>-</u>	<u>4,189,826</u>
<i>Capital Assets, Depreciated:</i>				
Buildings and Improvements	363,521	-	-	363,521
Water and Wastewater System*	2,168,248	258,728	-	2,426,976
Equipment and Vehicles	22,071,485	-	-	22,071,485
<i>Total Capital Assets Depreciated</i>	<u>24,603,254</u>	<u>258,728</u>	<u>-</u>	<u>24,861,982</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(190,072)	(13,499)	-	(203,571)
Water and Wastewater System	(9,346,801)	(671,439)	-	(10,018,240)
Equipment and Vehicles	(1,809,471)	(91,876)	-	(1,901,347)
<i>Total Accumulated Depreciation</i>	<u>(11,346,344)</u>	<u>(776,814)</u>	<u>-</u>	<u>(12,123,158)</u>
Total Capital Assets Depreciated, Net	<u>13,256,910</u>	<u>(518,086)</u>	<u>-</u>	<u>12,738,824</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,266,281</u>	<u>\$ (337,631)</u>	<u>\$ -</u>	<u>\$ 16,928,650</u>

\* Updated for Prior Period Adjustment, see Note M

	Beginning Balance	Increases	Transfers/ Deletions	Ending Balance
<b>Economic Development Corporation:</b>				
<i>Capital Assets, Not Depreciated:</i>				
Land	\$ 4,637,324	\$ -	\$ (508,771)	\$ 4,128,553
<i>Total Capital Assets Not Depreciated</i>	<u>4,637,324</u>	<u>-</u>	<u>(508,771)</u>	<u>4,128,553</u>
<i>Capital Assets, Depreciated:</i>				
Buildings	155,554	-	-	155,554
Equipment and Vehicles	26,650	-	-	26,650
<i>Total Capital Assets Depreciated</i>	<u>182,204</u>	<u>-</u>	<u>-</u>	<u>182,204</u>
<i>Accumulated Depreciation:</i>				
Buildings	(34,214)	(7,778)	-	(41,992)
Equipment and Vehicles	(17,828)	(2,035)	-	(19,863)
<i>Total Accumulated Depreciation</i>	<u>(52,042)</u>	<u>(9,813)</u>	<u>-</u>	<u>(61,855)</u>
Total Capital Assets Depreciated, Net	<u>130,162</u>	<u>(9,813)</u>	<u>-</u>	<u>120,349</u>
Economic Development Corporation Capital Assets, Net	<u>\$ 4,767,486</u>	<u>\$ (9,813)</u>	<u>\$ (508,771)</u>	<u>\$ 4,248,902</u>

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE G -- LONG-TERM DEBT**

The following tables summarize the changes in the City's long-term liabilities for the year ended September 30, 2020.

	Balance 9/30/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Governmental Activities:					
Certificates of Obligation	\$ 3,585,000	\$ -	\$ (190,000)	\$ 3,395,000	\$ 200,000
General Obligation Bonds	17,450,000		(715,000)	16,735,000	770,000
General Obligation (Direct Placement)	1,725,000	-	(235,000)	1,490,000	240,000
Capital Leases	555,930	-	(199,088)	356,842	85,512
Unamortized Premium	410,245	-	(22,913)	387,332	22,913
Total Governmental Activities	<u>23,726,175</u>	<u>-</u>	<u>(1,362,001)</u>	<u>22,364,174</u>	<u>1,318,425</u>
Other Liabilities:					
Net Pension Liability	5,702,840	-	(1,358,356)	4,344,484	-
Total OPEB Liability - Retiree Health	543,014	17,897	-	560,911	-
Total OPEB Liability - SDB	297,154	88,206	-	385,360	-
Compensated Absences	481,054	360,791	(404,712)	437,133	109,283
Total Governmental Activities	<u>\$ 30,750,237</u>	<u>\$ 466,894</u>	<u>\$ (3,125,069)</u>	<u>\$ 28,092,062</u>	<u>\$ 1,427,708</u>
<b><u>Business-Type Activities:</u></b>					
Certificates of Obligation	\$ 845,000	\$ -	\$ (200,000)	\$ 645,000	\$ 205,000
Tax Notes (Direct Placement)	-	2,445,000	(325,000)	2,120,000	340,000
Unamortized Premium	15,871	-	(5,290)	10,581	5,290
	<u>860,871</u>	<u>2,445,000</u>	<u>(530,290)</u>	<u>2,775,581</u>	<u>550,290</u>
Other Liabilities:					
Net Pension Liability	782,324	-	(254,058)	528,266	-
Total OPEB Liability - Retiree Health	58,558	44,663	-	103,221	-
Compensated Absences	41,461	31,096	(34,278)	38,279	9,570
Total Business-Type Activities	<u>\$ 1,743,214</u>	<u>\$ 2,520,759</u>	<u>\$ (818,626)</u>	<u>\$ 3,445,347</u>	<u>\$ 559,860</u>
<b><u>Economic Development Corporation:</u></b>					
Sales Tax Bonds	\$ 1,237,000	\$ -	\$ (136,000)	\$ 1,101,000	\$ 141,000
	<u>1,237,000</u>	<u>-</u>	<u>(136,000)</u>	<u>1,101,000</u>	<u>141,000</u>
Other Liabilities:					
Net Pension Liability	176,864	-	(64,350)	112,514	-
Total OPEB Liability - Retiree Health	17,982	-	(6,764)	11,218	-
Compensated Absences	6,760	5,070	(4,702)	7,128	1,782
Total Economic Development Corporation	<u>\$ 1,438,606</u>	<u>\$ 5,070</u>	<u>\$ (211,816)</u>	<u>\$ 1,231,860</u>	<u>\$ 142,782</u>

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE G -- LONG-TERM DEBT (CONTINUED)**

Long-term debt at September 30, 2020 comprises the following issues:

*Governmental Activities*

Description	Interest Rate	Outstanding
Certificates of Obligation Series 2014	2.0-4.0%	\$ 3,395,000
General Obligation Series 2015	1.47%	1,490,000
General Obligation Series 2016	2.32%	8,880,000
General Obligation Series 2017	3.69%	7,855,000
Capital Lease - Police Patrol Units	2.83%	356,842

*Business-Type Activities*

Description	Interest Rate	Outstanding
Certificates of Obligation Series 2011	2.0-4.0%	\$ 645,000
Tax Notes 2019	1.79%	2,120,000

*Economic Development Corporation*

Description	Interest Rate	Outstanding
Sales Tax Revenue Bonds Series 2017	3.50%	1,101,000

The annual requirements to fully amortize governmental activities is as follows:

Fiscal Year Ending September 30,	Public Offerings		
	Principal	Interest	Total
2021	\$ 970,000	\$ 557,006	\$ 1,527,006
2022	1,040,000	528,805	1,568,805
2023	1,070,000	498,329	1,568,329
2024	1,100,000	466,905	1,566,905
2025	1,135,000	434,454	1,569,454
2026-2030	6,190,000	1,673,851	7,863,851
2031-2035	6,810,000	748,624	7,558,624
2036-2037	1,815,000	42,450	1,857,450
Total	<u>\$ 20,130,000</u>	<u>\$ 4,950,424</u>	<u>\$ 25,080,424</u>

Fiscal Year Ending September 30,	Direct Borrowings/Placements		
	Principal	Interest	Total
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	255,000	8,572	263,572
2026-2027	260,000	2,946	262,946
Total	<u>\$ 1,490,000</u>	<u>\$ 91,596</u>	<u>\$ 1,581,596</u>

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE G -- LONG-TERM DEBT (CONTINUED)**

The annual requirements to fully amortize business-type activities is as follows:

Fiscal Year Ending September 30,	Public Offerings		
	Principal	Interest	Total
2021	\$ 205,000	\$ 21,700	\$ 226,700
2022	215,000	13,300	228,300
2023	225,000	4,500	229,500
Total	<u>\$ 645,000</u>	<u>\$ 39,500</u>	<u>\$ 684,500</u>

Fiscal Year Ending September 30,	Direct Borrowings/Placements		
	2021	\$ 340,000	\$ 34,808
2022	345,000	28,694	373,694
2023	350,000	22,491	372,491
2024	355,000	16,199	371,199
2025	360,000	9,818	369,818
2026	370,000	3,302	373,302
Total	<u>\$ 2,120,000</u>	<u>\$ 115,312</u>	<u>\$ 2,235,312</u>

The annual requirements to fully amortize Economic Development Corporation activities is as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
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	163,000	14,823	177,823
2026-2030	342,000	12,075	354,075
Total	<u>\$ 1,101,000</u>	<u>\$ 140,264</u>	<u>\$ 1,241,264</u>

The City entered into a capital lease with BB&T Governmental Finance for \$555,930 for patrol vehicles for the Police Department. The capital lease requires annual payments, bears interest at 2.83%, and matures in 2024. Accumulated depreciation related to these vehicles is \$117,378 as of September 30, 2020. Future minimum payments on the capital lease are as follows:

Fiscal Year Ending September 30,	Lease Payments
2021	\$ 95,610
2022	95,610
2023	95,610
2024	95,610
	<u>382,440</u>
Less: Amount Representing Interest	<u>(25,598)</u>
Total	<u>\$ 356,842</u>

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE G -- LONG-TERM DEBT (CONTINUED)**

The Economic Development Corporation has committed to funding a portion of the City's certificates of obligation, series 2014. The Corporation has committed to funding \$1.2 million over the life of the certificates. Annual requirements to satisfy the commitment are as follows:

Year Ended Sep. 30	Pledged Revenue
2021	\$ 85,794
2022	84,281
2023	82,631
2024	80,981
2025	84,256
2026-2030	415,403
2031-2034	330,100
Total Pledged	<u>\$1,163,446</u>

**NOTE H -- OPERATING LEASE REVENUE**

In November 2011, the city leased land to a communications company for a digital billboard for a period of 20 years. The lease calls for annual payments starting at \$40,000 and increasing to \$46,200. The City also has two operating leases for cellular repeaters on water towers for 5 years terms. Each lease renewed in 2012 for 5 years terms with set rental rates. Future minimum lease payments to be received by the City are as follows:

Year Ending September 30,	Future Minimum Payments
2021	\$ 67,924
2022	60,571
2023	44,000
2024	44,000
2025	44,000
2026-2030	228,800
2031	46,200
Total	<u>\$ 535,495</u>

CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM**

Texas Municipal Retirement System

**Plan Description**

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

At the December 31 valuations and measurement dates, the following employees were covered by the benefit terms:

	2018	2019
Inactive employees or beneficiaries currently receiving benefits	63	65
Inactive employees entitled to but not yet receiving benefits	153	154
Active employees	165	173
	381	392



CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.82% and 13.35% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$1,222,676, which equalled the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability (TOL) in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Notes to Schedule of Contributions

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Actuarial Assumptions (CONTINUED)**

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Actuarial Assumptions (CONTINUED)**

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

**Changes in the Net Pension liability**

The below schedule represents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 30,664,044	\$ 24,002,016	\$ 6,662,028
Changes for the year:			
Service Cost	1,416,876	-	1,416,876
Interest	2,082,578	-	2,082,578
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	104,583	-	104,583
Changes of Assumptions	187,436	-	187,436
Contributions - Employer	-	1,177,164	(1,177,164)
Contributions - Employee	-	599,283	(599,283)
Net Investment Income	-	3,713,387	(3,713,387)
Benefit Payments, Including Refunds of Employee Contributions	(1,038,906)	(1,038,906)	-
Administrative Expense	-	(20,967)	20,967
Other Changes	-	(630)	630
Net Changes	2,752,567	4,429,331	(1,676,764)
Balance at December 31, 2019	\$ 33,416,611	\$ 28,431,347	\$ 4,985,264

CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE I -- EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Changes in Net Pension Liability (CONTINUED):**

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 10,565,217	\$ 4,985,264	\$ 512,339

**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).

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

For the year ended September 30, 2020, the City recognized pension expense of \$1,412,963. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 207,739	\$ -
Changes in Actuarial Assumptions	140,223	-
Differences Between Projected and Actual Investment Earnings	-	849,844
Contributions Subsequent to the Measurement Date	926,581	-
	\$ 1,274,543	\$ 849,844

CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE I – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (CONTINUED)**

Deferred outflows of resources in the amount of \$926,579 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2020	\$ (89,720)
2021	(118,289)
2022	124,778
2023	(418,651)
2024	-
Thereafter	-
	\$ (501,882)

**NOTE J -- OTHER POST-EMPLOYEMENT BENEFITS**

The city participates in two post employment benefit programs: The supplemental death program (SDBF) sponsored by TMRS, and a retiree health insurance plan.

**A. Supplemental Death Benefits**

The City participates in a cost-sharing multi-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an ‘other post employment benefit,’ or OPEB. Membership in the plan at December 31, 2019, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	6
Active employees	159
	165

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE J -- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**A. Supplemental Death Benefits (CONTINUED)**

The City contributes to the SDBF at a contractually required rate a 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. The assumptions of the plan are as follows:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75% (Based on Fidelity's 20-Year Municipal GO AA Index)
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
Participation Rates	30% of eligible retirees.

The City's total OPEB liability for the Supplemental Death benefit, as of December 31, 2019, was as follows:

	Total OPEB Liability
Balance at Beginning of Year	\$ 297,154
Changes for the year:	
Service Cost	17,122
Interest	11,310
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(9,773)
Changes in Assumptions or Other Inputs	71,259
Benefit Payments	(1,712)
Net Changes	88,206
Balance at End of Year	\$ 385,360

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE J -- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**A. Supplemental Death Benefits (CONTINUED)**

There is no separate trust maintained to fund this total OPEB liability. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following table represents the Total Other Post Employment Benefits liability for the SDBF for the City, calculated using the discount rate of 2.75% as well as what the City's liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability	\$ 477,082	\$ 385,360	\$ 315,630

For the year ended September 30, 2020, the City recognized OPEB expense of \$37,505. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 11,208
Changes in Actuarial Assumptions	57,399	-
Contributions Subsequent to the Measurement Date	1,348	-
	\$ 58,747	\$ 11,208

Deferred outflows of resources in the amount of \$1,348 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability or the plan year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended December 31,	
2021	\$ 9,073
2022	9,073
2023	9,073
2024	6,769
2025	7,561
Thereafter	4,642
	\$ 46,191

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE J -- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**B. Retiree Health Insurance**

The City allows any employee retiring from the City with at least 15 years of service to participate in the group health insurance coverage provided by the City. Retirees would be responsible for 100% of the plan premiums; however, the City would contribute up to \$3,500 per year (\$7,000 per family per year) towards the retiree's deductible through a health savings account. All coverage ends when the retiree reaches age 65.

In order to be eligible for the Plan, 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 spouse ends when Medicare coverage begins.

**Funding Policy**

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

**Total OPEB Liability**

The City's Total OPEB liability of \$675,350 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total OPEB liability at the December 31, 2019 actuarial valuation date was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75% (Based on Fidelity's 20-Year Municipal GO AA Index)
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
Participation Rates	30% of eligible retirees.



CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE J -- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**B. Retiree Health Insurance (CONTINUED)**

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at Beginning of Year	\$ 619,554
Changes for the year:	
Service Cost	32,261
Interest	22,852
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(9,063)
Changes in Assumptions or Other Inputs	49,181
Benefit Payments	(39,435)
Net Changes	55,796
Balance at End of Year	\$ 675,350

**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:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability	\$ 744,063	\$ 675,350	\$ 613,931

The following presents the total OPEB liability of the Corporation, as well as what the Corporation'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 healthcare cost trend rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability to Healthcare	\$ 599,151	\$ 675,350	\$ 786,251

CITY OF CONVERSE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE J -- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**B. Retiree Health Insurance (CONTINUED)**

**OPEB Expense and deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended September 30, 2020, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 10,023
Changes in Actuarial Assumptions	43,676	-
Contributions Subsequent to the Measurement Date	31,409	-
	\$ 75,085	\$ 10,023

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

For the Plan Year ended December 31,		
2021		\$ 4,863
2022		4,863
2023		4,863
2024		4,863
2025		4,863
Thereafter		9,338
		\$ 33,653

Monthly premiums for individuals covered under the plan during the year ended September 30, 2020 were as follows:

For Those Not Eligible for Medicare		
Age	Male	Female
40	\$ 316	\$ 514
50	513	632
60	872	858
64	1,060	1,000

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE K -- COMMITMENTS AND CONTINGENCIES**

*Litigation*

The City is the subject of three lawsuits that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

*Contracts*

The City receives funding for fire services through contracts on a fiscal year basis with the Bexar County Emergency Services District Number 1 (ESD). The City currently has a contract with the ESD through September 30, 2022. The City received \$821,676 from the ESD for the year ending September 30, 2020.

*Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with Travelers to provide coverage for property and casualty insurance, and with Texas Mutual to provide workers compensation coverage. Premiums are set annually by the providers.

*Tax Increment Reinvestment Zone*

The City is a principal in the Tax Increment Reinvestment Zone Number One, pursuant to chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Converse and the County of Bexar are funding infrastructure improvements through tax increment financing to the Converse Moving Forward project.

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax base are being used to finance Zone improvements. The total projected cost is a combined amount of \$31.6 million. Project costs of the developer will be funded up to 100% of the tax increment generated by the City of Converse and Bexar County. The City of Converse has committed up to \$18.9 million of the total \$31.6 million. The Zone has a statutory termination date of September 30, 2047. The TIRZ has collected \$2,850 from the taxing entities (net of administrative reimbursements) as of September 30, 2020. The City paid \$14,442 to the Zone, representing its commitment for the fiscal year ended September 30, 2020. The City receives \$15,000 in oversight fees to administer the Zone.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE L -- CONDUIT DEBT/RELATED ORGANIZATION**

The Converse Public Facilities Corporation (the “PFC”) is the sole member of Town Square Living LLC, which owns a 0.01% equity interest in the Town Square Apartments, Ltd partnership. The purpose of this partnership was to obtain funding to construct and manage a low-income apartment housing complex in Converse, Texas 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. As of September 30, 2020, the City was still owed \$33,492 in deferred development fees. Once deferred development fees are received 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 PFC’s financial statements.

Financing for the Project was acquired through bonds issued by the Converse Housing Finance Corporation (the “HFC”): Multi-family Housing Revenue Bonds, Series 2007 for \$14,300,000. Through a subordination agreement with the purchaser of the bonds and Converse Town Square Apartments, Ltd., the bonds issued do not constitute debt or a pledge of faith or credit of the HFC or the City of Converse. Accordingly, the bonds have not been reported in the accompanying financial statements. At September 30, 2020, the estimated outstanding amount of conduit debt was \$12,395,000. The HFC receives an annual payment of \$7,500 for issuer fees.

**NOTE M -- PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded to correct net position as follows:

	Governmental Activities	Business-Type Activities	Total
Net Position, 9/30/2019, as Originally Reported	\$ 33,755,156	\$ 27,014,048	\$ 60,769,204
Beginning Construction-in-Process Overstated	(1,573,492)	-	(1,573,492)
Overstated Accumulated Depreciation	170,010	-	170,010
Understated Water and Sewer Infrastructure	-	33,499	33,499
Net Position, 9/30/2019, Restated	<u>\$ 32,351,674</u>	<u>\$ 27,047,547</u>	<u>\$ 59,399,221</u>

**NOTE N -- SUBSEQUENT EVENT**

The City issued \$7,840,000 Series 2020 Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation with a delivery date of October 14, 2020. These bonds were issued for making street improvements, acquiring public safety equipment, purchasing public works equipment, and for the purchase of materials and professional services related thereto. The bonds mature serially through 2040 and bear an interest rate ranging from 1% to 4%.

CITY OF CONVERSE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE O -- FUND BALANCE**

As of September 30, 2020, fund balances consist of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepays	\$ 21,116	\$ -	\$ -	\$ -	\$ 21,116
Restricted for:					
Police Department	729	-	-	-	729
Capital Projects	-	347,293	-	-	347,293
Debt Service	-	-	6,682	-	6,682
Converse Housing Finance Corporation	-	-	-	208,635	208,635
Converse Public Facility Corporation	-	-	-	1,295,425	1,295,425
Tax Increment Reinvestment Zone	-	-	-	2,847	2,847
Court Technology	-	-	-	3,388	3,388
Court Security	-	-	-	17,793	17,793
Court Truancy	-	-	-	2,814	2,814
Court Municipal Jury	-	-	-	56	56
Court Time Payment	-	-	-	150	150
Public, Educational, and Governmental	-	-	-	272,855	272,855
Street Maintenance	-	-	-	1,004,653	1,004,653
Police State Seizure	-	-	-	5,695	5,695
Police Federal Seizure	-	-	-	72,727	72,727
Police Blue Santa	-	-	-	15,610	15,610
Police Crime Prevention	-	-	-	396	396
LEOSE Training	-	-	-	6,017	6,017
Museum	-	-	-	12,918	12,918
Historic Preservation Commission	-	-	-	1,648	1,648
Parkland Dedication	-	-	-	261,203	261,203
Animal Care Donations	-	-	-	12,337	12,337
Park Bench Donations	-	-	-	67,113	67,113
Unassigned	<u>5,254,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,254,212</u>
<i>Total Fund Balances:</i>	<u><u>\$ 5,276,057</u></u>	<u><u>\$ 347,293</u></u>	<u><u>\$ 6,682</u></u>	<u><u>\$ 3,264,280</u></u>	<u><u>\$ 8,894,312</u></u>

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Funding Progress – Defined Benefit Pension Plan
- Schedule of Funding Progress – Defined Benefit Other Postemployment Benefit

CITY OF CONVERSE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 6,197,489	\$ 6,186,089	\$ 6,147,748	\$ (38,341)
Sales & Mixed Beverage Taxes	2,691,000	2,691,000	2,945,986	254,986
Franchise Taxes	1,328,000	1,328,000	1,294,629	(33,371)
Licenses and Permits	811,700	811,700	1,122,050	310,350
Fines & Forfeitures	532,000	532,000	315,263	(216,737)
Parks and Pool Fees	1,431,400	1,431,400	1,464,439	33,039
Grants and Contributions	257,500	1,120,750	940,795	(179,955)
Interest Income	176,200	176,200	77,013	(99,187)
Other Revenues	178,900	178,900	354,849	175,949
<b>TOTAL REVENUES</b>	<u>13,604,189</u>	<u>14,456,039</u>	<u>14,662,772</u>	<u>206,733</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,034,340	3,016,000	2,720,475	295,525
Municipal Court	225,022	211,960	200,118	11,842
Public Safety	4,786,931	4,625,431	4,512,308	113,123
Fire and EMS	3,546,235	3,665,365	3,575,309	90,056
Public Works	2,177,242	2,089,995	2,015,997	73,998
Parks and Recreation	413,663	331,208	304,632	26,576
Library	303,706	363,686	347,338	16,348
Capital Outlay	225,920	285,664	266,825	18,839
Debt Service:				
Principal	139,930	145,930	130,692	15,238
Interest and Fiscal Charges	-	-	14,511	(14,511)
<b>TOTAL EXPENDITURES</b>	<u>13,852,989</u>	<u>14,735,239</u>	<u>14,088,205</u>	<u>647,034</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(248,800)</u>	<u>(279,200)</u>	<u>574,567</u>	<u>853,767</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Net Change in Fund Balance	1,200	(29,200)	574,567	603,767
<b>FUND BALANCE - BEGINNING</b>	<u>4,701,490</u>	<u>4,701,490</u>	<u>4,701,490</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,702,690</u>	<u>\$ 4,672,290</u>	<u>\$ 5,276,057</u>	<u>\$ 603,767</u>

CITY OF CONVERSE, TEXAS  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
SEPTEMBER 30, 2020

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for all funds, however, only the General and Debt Service Fund budgets are legally adopted.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.



CITY OF CONVERSE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS  
LAST FIVE CALENDAR YEARS

	Total Pension Liability				
	2015	2016	2017	2018	2019
Service Cost	\$ 1,020,472	\$ 1,099,215	\$ 1,223,634	\$ 1,315,188	\$ 1,416,876
Interest (on Total Pension Liability)	1,624,621	1,679,685	1,778,970	1,918,902	2,082,579
Change of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	(92,280)	(249,788)	91,173	234,123	104,583
Changes in Assumptions	90,654	-	-	-	187,436
Benefit Payments, Including Refunds of Employee Contributions	(757,593)	(1,257,382)	(983,466)	(1,149,512)	(1,038,906)
Net Change in Total Pension Liability	1,885,874	1,271,730	2,110,311	2,318,701	2,752,568
Total Pension Liability - Beginning	23,077,428	24,963,302	26,235,032	28,345,343	30,664,044
Total Pension Liability - Ending	<u>\$24,963,302</u>	<u>\$26,235,032</u>	<u>\$28,345,343</u>	<u>\$30,664,044</u>	<u>\$33,416,612</u>
	Plan Fiduciary Net Position				
	2015	2016	2017	2018	2019
Contributions - Employer	\$ 896,703	\$ 905,367	\$ 1,054,882	\$ 1,123,010	\$ 1,177,164
Contributions - Employee	442,036	457,953	511,370	553,597	599,283
Net Investment Income	27,711	1,309,500	2,879,529	(725,835)	3,713,387
Benefit Payments, Including Refunds of Employee Contributions	(757,593)	(1,257,382)	(983,466)	(1,149,512)	(1,038,906)
Administrative Expense	(16,877)	(14,783)	(14,918)	(14,019)	(20,964)
Other	(834)	(796)	(756)	(732)	(630)
Net Change in Plan Fiduciary Net Pos	591,146	1,399,859	3,446,641	(213,491)	4,429,334
Plan Fiduciary Net Position - Beginning	18,777,859	19,369,005	20,768,864	24,215,505	24,002,014
Net Pension Liability - Ending	<u>\$19,369,005</u>	<u>\$20,768,864</u>	<u>\$24,215,505</u>	<u>\$24,002,014</u>	<u>\$28,431,348</u>
Net Pension Liability	<u>\$ 5,594,297</u>	<u>\$ 5,466,168</u>	<u>\$ 4,129,838</u>	<u>\$ 6,662,030</u>	<u>\$ 4,985,264</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.59%	79.16%	85.43%	78.27%	85.08%
Covered Payroll	\$ 6,314,801	\$ 6,531,284	\$ 7,305,279	\$ 7,908,524	\$ 8,561,186
Total Pension Liability at a Percentage of Covered Payroll	88.59%	83.69%	56.53%	84.24%	58.23%

*Information is being accumulated prospectively until ten years of data is available.*

CITY OF CONVERSE, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY CONTRIBUTIONS TO PENSION PLANS  
 LAST FIVE CALENDAR YEARS

Fiscal Year Ending December 31	Actuarially Determined Contribution (ADC)	Contributions In Relation To the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
2016	\$ 928,862	\$ 928,862	-	\$ 6,668,257	13.93%
2017	1,021,029	1,021,029	-	7,138,244	14.30%
2018	1,106,307	1,106,307	-	7,761,104	14.25%
2019	1,162,633	1,162,633	-	8,393,002	13.85%
2020	1,222,676	1,222,676	-	8,810,952	13.88%

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF CONVERSE, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES – TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY  
 SUPPLEMENTAL DEATH BENEFIT AND RELATED RATIOS  
 LAST THREE PLAN (CALENDAR) YEARS

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 16,072	\$ 19,771	\$ 17,122
Interest	9,619	10,146	11,310
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(4,269)	(9,773)
Changes in Assumptions or Other Inputs	26,025	(24,332)	71,259
Benefit Payments	(1,461)	(1,582)	(1,712)
Net Change in Total Pension Liability	50,255	(266)	88,206
Total OPEB Liability - Beginning	247,165	297,420	297,154
Total OPEB Liability - Ending	<u>\$ 297,420</u>	<u>\$ 297,154</u>	<u>\$ 385,360</u>
 Covered Payroll	 \$ 7,305,279	 \$ 7,908,524	 \$ 8,561,186
 Total OPEB Liability as a Percentage of Covered Payroll	 4.07%	 3.76%	 4.50%

Notes to Schedule of Changes in Liability

Changes in Benefit Terms: None

Changes in Assumptions: None

**Trust:**

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

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	3.71% (Based on Fidelity's 20-Year Municipal GO AA Index)
Actuarial Cost Method	Entry Age Normal
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements for GASP statement No. 75.
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 three-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.

*Information is being accumulated prospectively until ten years of data is available.*

CITY OF CONVERSE, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES – TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY  
 RETIREE HEALTH INSURANCE AND RELATED RATIOS  
 LAST THREE PLAN (CALENDAR) YEARS

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 25,628	\$ 29,505	\$ 32,261
Interest	21,961	20,686	22,852
Changes of Benefit Terms	-	-	
Difference between Expected and Actual Experience	-	(2,638)	(9,063)
Changes in Assumptions or Other Inputs	28,206	(23,543)	49,181
Benefit Payments	(29,113)	(29,294)	(39,435)
Net Change in Total Pension Liability	46,682	(5,284)	55,796
Total OPEB Liability - Beginning	578,156	624,838	619,554
Total OPEB Liability - Ending	<u>\$ 624,838</u>	<u>\$ 619,554</u>	<u>\$ 675,350</u>
Covered Payroll	\$6,437,334	\$7,240,254	\$8,561,186
Total OPEB Liability as a Percentage of Covered Payroll	9.71%	8.56%	7.89%

Notes to Schedule

Changes in Benefit Terms: None

Changes in Assumptions: None

**Trust:**

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

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75% (Based on Fidelity's 20-Year Municipal GO AA Index)
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
Participation Rates	30% of eligible retirees.

*Information is being accumulated prospectively until ten years of data is available.*

## SUPPLEMENTARY INFORMATION

Supplementary information includes combining and individual financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements – Nonmajor Governmental Funds

CITY OF CONVERSE, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2020

	<u>Converse Housing Finance Corporation</u>	<u>Converse Public Facility Corporation</u>	<u>Tax Increment Reinvestment Zone</u>	<u>Court Technology</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 35,100	\$ 1,261,933	\$ 2,847	\$ 3,388
Investments	173,535	-	-	-
Accounts Receivable	-	33,492	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 208,635</u></u>	<u><u>\$ 1,295,425</u></u>	<u><u>\$ 2,847</u></u>	<u><u>\$ 3,388</u></u>
<b>LIABILITIES AND FUND BALANCE</b>				
<i>Liabilities:</i>				
Accrued Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Total Liabilities</i>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Fund Balance</i>				
Restricted for:				
Public Safety	-	-	-	-
Communication	-	-	-	-
Courty Security	-	-	-	-
Court Technology	-	-	-	3,388
Court Truancy	-	-	-	-
Court Municipal Jury	-	-	-	-
Court Time Payment	-	-	-	-
Tax Increment Reinvestment Zone	-	-	2,847	-
Housing Finance Corporation	208,635	-	-	-
Public Facility Corporation	-	1,295,425	-	-
Museum	-	-	-	-
Historic Preservation Commission	-	-	-	-
Parkland Dedication	-	-	-	-
Street Maintenance	-	-	-	-
Animal Care Donations	-	-	-	-
Park Bench Donations	-	-	-	-
<i>Total Fund Balances</i>	<u>208,635</u>	<u>1,295,425</u>	<u>2,847</u>	<u>3,388</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 208,635</u></u>	<u><u>\$ 1,295,425</u></u>	<u><u>\$ 2,847</u></u>	<u><u>\$ 3,388</u></u>

<u>Court Security</u>	<u>Court Truancy</u>	<u>Court Municipal Jury</u>	<u>Court Time Payment</u>	<u>PEG Funds</u>	<u>Street Maintenance</u>	<u>Police State Seizure</u>
\$ 17,812	\$ 2,814	\$ 56	\$ 150	\$ 261,771	\$ 882,770	\$ 5,695
-	-	-	-	-	-	-
-	-	-	-	11,084	139,423	-
<u>\$ 17,812</u>	<u>\$ 2,814</u>	<u>\$ 56</u>	<u>\$ 150</u>	<u>\$ 272,855</u>	<u>\$ 1,022,193</u>	<u>\$ 5,695</u>
<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,540</u>	<u>\$ -</u>
19	-	-	-	-	17,540	-
-	-	-	-	-	-	5,695
-	-	-	-	272,855	-	-
17,793	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,814	-	-	-	-	-
-	-	56	-	-	-	-
-	-	-	150	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,004,653	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>17,793</u>	<u>2,814</u>	<u>56</u>	<u>150</u>	<u>272,855</u>	<u>1,004,653</u>	<u>5,695</u>
<u>\$ 17,812</u>	<u>\$ 2,814</u>	<u>\$ 56</u>	<u>\$ 150</u>	<u>\$ 272,855</u>	<u>\$ 1,022,193</u>	<u>\$ 5,695</u>

CITY OF CONVERSE, TEXAS  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2020

	Police Federal Seizure	Police Blue Santa Program	Police Crime Prevention	LEOSE Training	Museum
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 74,110	\$ 15,610	\$ 396	\$ 6,017	\$ 12,918
Investments	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 74,110</u></u>	<u><u>\$ 15,610</u></u>	<u><u>\$ 396</u></u>	<u><u>\$ 6,017</u></u>	<u><u>\$ 12,918</u></u>
<b>LIABILITIES AND FUND BALANCE</b>					
<i>Liabilities:</i>					
Accrued Liabilities	\$ 1,383	\$ -	\$ -	\$ -	\$ -
<i>Total Liabilities</i>	<u>1,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance</i>					
Restricted for:					
Public Safety	72,727	15,610	396	6,017	-
Communication	-	-	-	-	-
Courty Security	-	-	-	-	-
Court Technology	-	-	-	-	-
Court Truancy	-	-	-	-	-
Court Municipal Jury	-	-	-	-	-
Court Time Payment	-	-	-	-	-
Tax Increment Reinvestment Zone	-	-	-	-	-
Housing Finance Corporation	-	-	-	-	-
Public Facility Corporation	-	-	-	-	-
Museum	-	-	-	-	12,918
Historic Preservation Commission	-	-	-	-	-
Parkland Dedication	-	-	-	-	-
Street Maintenance	-	-	-	-	-
Animal Care Donations	-	-	-	-	-
Park Bench Donations	-	-	-	-	-
<i>Total Fund Balances</i>	<u>72,727</u>	<u>15,610</u>	<u>396</u>	<u>6,017</u>	<u>12,918</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 74,110</u></u>	<u><u>\$ 15,610</u></u>	<u><u>\$ 396</u></u>	<u><u>\$ 6,017</u></u>	<u><u>\$ 12,918</u></u>



<u>Historic Preservation Commission</u>	<u>Parkland Dedication</u>	<u>Animal Care Donations</u>	<u>Park Bench Donations</u>	<u>Totals</u>
\$ 1,648	\$ 261,203	\$ 13,136	\$ 68,816	\$ 2,928,190
-	-	-	-	173,535
-	-	-	-	183,999
<u>\$ 1,648</u>	<u>\$ 261,203</u>	<u>\$ 13,136</u>	<u>\$ 68,816</u>	<u>\$ 3,285,724</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799</u>	<u>\$ 1,703</u>	<u>\$ 21,444</u>
<u>-</u>	<u>-</u>	<u>799</u>	<u>1,703</u>	<u>21,444</u>
-	-	-	-	100,445
-	-	-	-	272,855
-	-	-	-	17,793
-	-	-	-	3,388
-	-	-	-	2,814
-	-	-	-	56
-	-	-	-	150
-	-	-	-	2,847
-	-	-	-	208,635
-	-	-	-	1,295,425
-	-	-	-	12,918
1,648	-	-	-	1,648
-	261,203	-	-	261,203
-	-	-	-	1,004,653
-	-	12,337	-	12,337
-	-	-	67,113	67,113
<u>1,648</u>	<u>261,203</u>	<u>12,337</u>	<u>67,113</u>	<u>3,264,280</u>
<u>\$ 1,648</u>	<u>\$ 261,203</u>	<u>\$ 13,136</u>	<u>\$ 68,816</u>	<u>\$ 3,285,724</u>

CITY OF CONVERSE, TEXAS  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Converse Housing Finance Corporation	Converse Public Facility Corporation	Tax Increment Reinvestment Zone	Court Technology
<b>REVENUES</b>				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	6,977
Interest Income	1,339	13,509	7	28
Other Revenues	7,500	-	23,850	-
<b>TOTAL REVENUES</b>	<u>8,839</u>	<u>13,509</u>	<u>23,857</u>	<u>7,005</u>
<b>EXPENDITURES</b>				
General Government	-	-	21,010	11,922
Public Safety	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>21,010</u>	<u>11,922</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	8,839	13,509	2,847	(4,917)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	8,839	13,509	2,847	(4,917)
Fund Balances/Equity, October 1	<u>199,796</u>	<u>1,281,916</u>	<u>-</u>	<u>8,305</u>
Fund Balances/Equity, September 30	<u>\$ 208,635</u>	<u>\$ 1,295,425</u>	<u>\$ 2,847</u>	<u>\$ 3,388</u>

Court Security	Court Truancy	Court Municipal Jury	Court Time Payment	PEG Funds	Street Maintenance	Police State Seizure
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 733,625	\$ -
6,305	2,814	56	150	-	-	2,362
187				3,677	8,988	95
-				45,465	12,250	-
<u>6,492</u>	<u>2,814</u>	<u>56</u>	<u>150</u>	<u>49,142</u>	<u>754,863</u>	<u>2,457</u>
12,933	-	-	-	15,693	-	-
-	-	-	-	-	-	668
-	-	-	-	76,770	854,320	17,699
<u>12,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,463</u>	<u>854,320</u>	<u>18,367</u>
(6,441)	2,814	56	150	(43,321)	(99,457)	(15,910)
-	-	-	-	-	475,000	-
-	-	-	-	-	475,000	-
(6,441)	2,814	56	150	(43,321)	375,543	(15,910)
24,234	-	-	-	316,176	629,110	21,605
<u>\$ 17,793</u>	<u>\$ 2,814</u>	<u>\$ 56</u>	<u>\$ 150</u>	<u>\$ 272,855</u>	<u>\$ 1,004,653</u>	<u>\$ 5,695</u>

CITY OF CONVERSE, TEXAS  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED September 30, 2020

	Police Federal Seizure	Police Blue Santa Program	Police Crime Prevention	LEOSE Training
<b>REVENUES</b>				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	12,215	-	-	-
Interest Income	1,258	179	2	33
Other Revenues	-	11,008	500	3,575
<b>TOTAL REVENUES</b>	<u>13,473</u>	<u>11,187</u>	<u>502</u>	<u>3,608</u>
<b>EXPENDITURES</b>				
General Government	14,749	6,925	-	-
Public Safety	17,944	-	115	2,604
Capital Outlay	55,557	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>88,250</u>	<u>6,925</u>	<u>115</u>	<u>2,604</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(74,777)	4,262	387	1,004
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(74,777)	4,262	387	1,004
Fund Balances/Equity, October 1	<u>147,504</u>	<u>11,348</u>	<u>9</u>	<u>5,013</u>
Fund Balances/Equity, September 30	<u>\$ 72,727</u>	<u>\$ 15,610</u>	<u>\$ 396</u>	<u>\$ 6,017</u>

<u>Museum</u>	<u>Historic Preservation Commission</u>	<u>Parkland Dedication</u>	<u>Animal Care Donations</u>	<u>Park Bench Donations</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 733,625
-	-	-	-	-	30,879
165	14	1,047	53	945	31,526
-	-	197,925	15,758	-	317,831
<u>165</u>	<u>14</u>	<u>198,972</u>	<u>15,811</u>	<u>945</u>	<u>1,113,861</u>
(795)	432	-	6,942	35,774	125,585
-	-	-	-	-	21,331
5,842	-	-	-	-	1,010,188
<u>5,047</u>	<u>432</u>	<u>-</u>	<u>6,942</u>	<u>35,774</u>	<u>1,157,104</u>
(4,882)	(418)	198,972	8,869	(34,829)	(43,243)
-	-	-	-	-	475,000
-	-	-	-	-	475,000
(4,882)	(418)	198,972	8,869	(34,829)	431,757
<u>17,800</u>	<u>2,066</u>	<u>62,231</u>	<u>3,468</u>	<u>101,942</u>	<u>2,832,523</u>
<u>\$ 12,918</u>	<u>\$ 1,648</u>	<u>\$ 261,203</u>	<u>\$ 12,337</u>	<u>\$ 67,113</u>	<u>\$ 3,264,280</u>

## COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Management, Mayor and Council of  
City of Converse, Texas  
403 S. Seguin  
Converse, Texas 78109

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Converse, Texas' as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Converse, Texas' basic financial statements, and have issued our report thereon dated March 23, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Converse, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Converse, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Converse, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

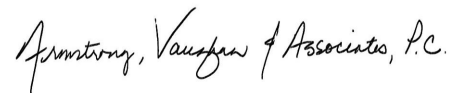
### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Converse, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that have been reported to management in a separate letter dated March 23, 2021.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armstrong, Vaughan & Associates, P.C.  
March 23, 2021





REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Management, Mayor and Council of  
City of Converse, Texas  
403 S. Seguin  
Converse, Texas 78109

**Report on Compliance for Each Major Federal Program**

We have audited City of Converse, Texas's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of City of Converse, Texas' major federal programs for the year ended September 30, 2020. City of Converse, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Converse, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Converse, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on City of Converse, Texas' compliance.

### ***Opinion on each Major Federal Program***

In our opinion, the City of Converse, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

### **Report on Internal Control over Compliance**

Management of the City of Converse, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Converse, Texas 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Converse, Texas 's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Armstrong, Vaughan & Associates, P.C.*

Armstrong, Vaughan & Associates, P.C.  
March 23, 2021

CITY OF CONVERSE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial Statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR Part 200 of the Uniform Guidance?      Yes   X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Converse Greenway Trail Phase I

Dollar threshold used to distinguish between Type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee?      Yes   X   No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF CONVERSE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
<i>Passed Through Bexar County CDBG, Texas</i>			
Senior Community Center	14.218	B-19-UC-48-0500	\$ 128,370
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Texas Office of the Governor</i>			
Crime Advocate Position	16.575	3766201	45,808
<i>Total Federal Crime Victim Cluster</i>			<u>45,808</u>
<i>Direct Program</i>			
Equitable Sharing	16.922		87,659
<i>Total Federal Direct Program Cluster</i>			<u>87,659</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			133,467
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Texas Department of Transportation</i>			
Converse Greenway Trail Phase I	20.205	CCSJ-0915-12-594	760,147
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Bexar County, Texas</i>			
CARES Act	21.019		497,299
U.S. GENERAL SERVICES ADMINISTRATION			
<i>Direct Program</i>			
Federal Surplus Property	39.003	10970	218
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
<i>Passed Through Texas State Library and Archives Commission</i>			
Interlibrary Loans	45.310	901591	250
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct Program</i>			
2017 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-0556	<u>261,239</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u><u>\$ 1,780,990</u></u>

CITY OF CONVERSE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 -- BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Converse, and is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Timing differences may occur as a result of recognizing accounts payable or capital assets.

NOTE 2 -- INDIRECT COSTS

The City of Converse has not charged indirect costs to any of its federal grants.



CITY OF

**CONVERSE**

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