

CITY OF EDGEWOOD, TEXAS

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2020

Mayor
Steve Steadham

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

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INTRODUCTORY SECTION

**CITY OF EDGEWOOD, TEXAS
PRINCIPAL OFFICIALS
September 30, 2020**

City Council

Steve Steadham	Mayor
Jack Pendleton	Place 1
Inez Goggans	Place 2
Keith Rogers	Place 3
Ruby Smith	Place 4
Louis Dunn	Place 5

City Staff

City Administrator	Petra Marley
City Secretary	Kathleen Jordan
Police Chief	David Hammonds
City Judge	Maria Gullett
Fire Chief	Jared Cooper
Water Clerk	Heather Mendez

FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

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mward@mikewardcpa.com

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Edgewood, Texas
107 NE Front Street
Edgewood, Texas 75117

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Edgewood, Texas ("City") as of and for the year ended September 30, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no such opinion. An audit also includes assessing 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Edgewood,

Texas as of September 30, 2020, and the respective changes in financial position, where applicable, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

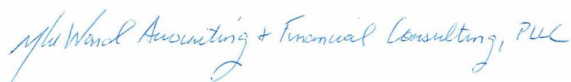
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section and component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Respectfully Submitted,



Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

November 9, 2020

CITY OF EDGEWOOD, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020

As management of the City of Edgewood ("City"), we offer readers of the City of Edgewood's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

Financial Highlights

- The assets of the City of Edgewood exceeded its liabilities at the close of the fiscal year by \$4,591,748 (net position). Of this amount, \$4,012,496, or 87.38%, is net investment in capital assets which do not directly generate revenue, and are not available to generate liquid capital. Net position restricted for specific purposes total \$129,013, or 2.81%. The remaining \$450,239, or 9.81%, is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$314,884 due to approximately \$320,000 in grant proceeds being received in 2020.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$483,302, an increase of \$148,866, or 45%, in comparison with the prior year. Approximately 93% of this total amount, or \$450,441, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance of the General Fund of \$450,441 was 44% of total General Fund expenditures for the fiscal year.
- The City's total long-term obligations increased by \$1,435,635, or 144%, during the fiscal year.

Overview of the Financial Statements

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

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2020**

Basic Financial Statements

The first two statements (pages 16-18) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 19-25) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements is the **notes** (pages 26-47). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 49-52) is provided to show details about the City's pension plan.

Government-wide Financial Statements

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

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

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

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are activities that the City charges customers for the service. This includes the utility services offered by the City of Edgewood. The final category is the component unit. The City has one component unit: Edgewood Economic Development Corporation ("EDC").

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2020**

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

The City of Edgewood adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in this part of the statements. The Schedule of Revenues, Expenditures, and changes in Fund Balance-Budget to Actual-General Fund are on page 49 of this report.

Proprietary Funds – The City of Edgewood has one type of proprietary fund which is the Water & Sewer Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported, in the Statement of Net Position and the Statement of Activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 23-24 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26-47 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Edgewood's progress in funding its obligation to provide pension benefits to its employees. This information is found on pages 49-52.

Supplementary Information – Fund financial statements for the component unit can be found on pages 55-58.

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2020**

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 510,093	\$ 451,706	\$ 1,693,331	\$ 176,731	\$ 2,203,424	\$ 628,437
Capital assets	1,689,416	1,439,822	3,262,185	3,416,253	4,951,601	4,856,075
Total assets	2,199,509	1,891,528	4,955,516	3,592,984	7,155,025	5,484,512
Deferred outflow of resources						
Pension	25,345	24,072	20,089	19,096	45,434	43,168
Current liabilities	2,405	100,554	94,845	96,637	97,250	197,191
Long-term liabilities	125,051	140,502	2,337,289	886,203	2,462,340	1,026,705
Total liabilities	127,456	241,056	2,432,134	982,840	2,559,590	1,223,896
Deferred inflow of resources						
Pension	27,391	15,013	21,730	11,907	49,121	26,920
Net position:						
Net investment in capital assets	1,628,303	1,364,929	2,384,193	2,575,582	4,012,496	3,940,511
Restricted	32,861	127,210	96,152	25,023	129,013	152,233
Unrestricted	408,843	167,392	41,396	16,728	450,239	184,120
Total net position	\$ 2,070,007	\$ 1,659,531	\$ 2,521,741	\$ 2,617,333	\$ 4,591,748	\$ 4,276,864

As noted earlier, net position may serve over time as one useful indicator of the City's financial condition. The assets of the City of Edgewood exceeded its liabilities by \$4,591,748 as of September 30, 2020. The City's net position increased by \$314,884, or 7%, for the fiscal year ended September 30, 2020

Net investment in capital assets:

The largest portion of the City's net position, 87.38%, or \$4,012,496, reflects the City's investment in capital assets, (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Edgewood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edgewood's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities

Restricted net position:

Restricted net position of \$129,013, representing 2.81% of total net position, is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of \$18,121, or 14%, for state imposed restrictions, \$96,152, or 75%, for debt service, \$4,102, or 3%, for capital projects, \$4,779, or 4%, for for parks, and \$5,859, or 5%, for police.

Unrestricted net position:

Unrestricted net position in the amount of \$450,239, or 9.81%, of total net position, is available to fund the City's programs to citizens and creditors.

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2020**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUE						
Program Revenues:						
Charges for Services	\$ 33,746	\$ 82,196	\$ 767,484	\$ 744,942	\$ 801,230	\$ 827,138
Grant Revenue	318,651	359,621	-	2,250	318,651	361,871
General Revenues:						
Property Taxes including P&I	414,958	383,687	-	-	414,958	383,687
Sales Tax Collected	367,471	319,438	-	-	367,471	319,438
Franchise Fees	66,339	66,827	-	-	66,339	66,827
Investment Income	1,011	1,332	45	71	1,056	1,403
Miscellaneous	3,956	2,367	2,131	2,491	6,087	4,858
Total Revenues	1,206,132	1,215,468	769,660	749,754	1,975,792	1,965,222
EXPENSES						
Program Expenses:						
General Government	182,476	175,948	-	-	182,476	175,948
Public Safety	289,143	286,368	-	-	289,143	286,368
Parks	24,576	28,179	-	-	24,576	28,179
Public Works	250,725	227,218	-	-	250,725	227,218
Public Services and Operations	30,973	45,306	-	-	30,973	45,306
Interest and Fiscal Agent Fees	-	3,669	-	-	-	3,669
Water and Sewer	-	-	883,015	801,628	883,015	801,628
Total Expenses	777,893	766,688	883,015	801,628	1,660,908	1,568,316
Increase (Decrease) in Net Position before Transfers	428,239	448,780	(113,355)	(51,874)	314,884	396,906
Transfers	(17,763)	(4,361)	17,763	4,361	-	-
Increase (Decrease) in Net Position	410,476	444,419	(95,592)	(47,513)	314,884	396,906
Net Position October 1	1,659,531	1,215,112	2,617,333	2,664,846	4,276,864	3,879,958
Net Position September 30	\$ 2,070,007	\$ 1,659,531	\$ 2,521,741	\$ 2,617,333	\$ 4,591,748	\$ 4,276,864

The Governmental Activities have increased the net position in the current fiscal year by \$410,476, a 25% increase over the prior year. This is the result of significant grant income being received in 2020.

The Business-type Activities decreased the net position in the current fiscal year by (\$95,592), a (3.65%) decrease from the prior year.

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2020**

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City of Edgewood's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Edgewood's financing requirements. Specifically, unrestricted fund balance can be a useful measure of the City's net resources available for spending in subsequent fiscal years.

The General Fund is the chief operating fund of the City of Edgewood. At the end of the current fiscal year, the total fund balance of the General Fund was \$483,302, an increase of \$148,866. A total of \$450,441, or 93%, is unassigned and can be used for any lawful purpose. The amount of restricted fund balance of \$18,121, or 4%, is restricted for state imposed restrictions related to child safety, court technology, and security, \$4,779, or 1%, is restricted for parks, \$5,859, or 1%, is restricted for the police department. Finally, \$4,102 is restricted for construction purposes.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total expenditures. Unassigned fund balance represents 44% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City made no revisions to the original budget. Generally, budget amendments, if made, fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts except in the areas of property taxes and fine revenues. Overall, expenditures were in line with budgeted amounts, except for capital expenditures associated with grant expenditures.

Proprietary Funds - The City of Edgewood's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$41,396, and \$2,384,193 was invested in capital assets, less related debt.

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2020**

Capital assets - The City of Edgewood's net investment in capital assets for its governmental and business-type activities, as of September 30, 2020, totaled \$4,951,601 (net of accumulated depreciation). This investment in capital assets includes roads, land, machinery, and equipment. The total increase in the City's investment in capital assets for the current fiscal year was \$95,526 or, 2%.

Major capital asset transactions during the year include the following:

- Sidewalk projects
- Major engine repairs to a fire truck
- Purchased new commercial grade lawn mower
- Engineering related to future utility projects

**Capital Assets
As of September 30, 2020
(net of accumulated depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 15,060	\$ 15,060	\$ 6,000	\$ 6,000	\$ 21,060	\$ 21,060
Machinery & Equipment	81,142	61,262	55,113	63,753	136,255	125,015
Buildings	99,170	111,802	12,105	13,113	111,275	124,915
Infrastructure	1,494,044	1,251,698	3,161,936	3,333,387	4,655,980	4,585,085
Total	\$ 1,689,416	\$ 1,439,822	\$ 3,262,185	\$ 3,416,253	\$ 4,951,601	\$ 4,856,075

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

Long-term obligations - As of September 30, 2020, the City of Edgewood had total long-term outstanding obligations of \$2,435,875. This is an increase of \$1,435,635, or 144%.

**Long-Term Debt
As of September 30, 2020**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Refunding Bond	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Combination Tax and Revenue Certificates of Obligation	-	-	2,173,514	695,000	2,173,514	695,000
Notes Payable	61,113	74,893	119,601	145,671	180,714	220,564
Pension Related Debt	45,609	47,280	36,038	37,396	81,647	84,676
Total	\$ 106,722	\$ 122,173	\$ 2,329,153	\$ 878,067	\$ 2,435,875	\$ 1,000,240

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

BASIC FINANCIAL STATEMENTS

**CITY OF EDGEWOOD
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2020**

Economic Factors and Next Year's Budgets and Rates

The FY2020 budget reflects a property tax rate of \$0.6546 per \$100 valuation.

Requests for Information

This report is designed to provide a general overview of the City's finances for those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Edgewood, Mayor, P.O. Box 377, Edgewood, TX 75117.

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 221,054	\$ 109,888	\$ 330,942	\$ 204,490
Receivables (net of allowance for uncollectibles)	78,845	71,768	150,613	14,982
Grant receivable	177,333	-	177,333	-
Restricted assets:				
Cash and cash equivalents	32,861	1,511,675	1,544,536	-
Capital assets, not being depreciated:				
Land	15,060	6,000	21,060	-
Construction In progress	-	27,031	27,031	-
Capital assets, net of accumulated depreciation:				
Machinery & equipment	81,142	55,113	136,255	-
Buildings & improvements	99,170	12,105	111,275	-
Infrastructure	1,494,044	3,161,936	4,655,980	-
Total Assets	2,199,509	4,955,516	7,155,025	219,472
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources-pension	22,040	17,493	39,533	-
Deferred outflow of resources-OPEB	3,305	2,596	5,901	-
Total Deferred Outflow of Resources	25,345	20,089	45,434	-
LIABILITIES				
Accounts payable	1,671	1,154	2,825	-
Customer deposits	-	88,190	88,190	-
Other liabilities	734	5,501	6,235	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	18,329	8,136	26,465	-
Notes payable	14,327	23,236	37,563	-
Certificates of obligation	-	108,676	108,676	-
Due in more than one year:				
Net pension liability	25,454	20,202	45,656	-
Net OPEB liability	20,155	15,836	35,991	-
Notes payable	46,786	96,365	143,151	-
Certificates of obligation	-	2,064,838	2,064,838	-
Total Liabilities	127,456	2,432,134	2,559,590	-
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources-pension	26,228	20,816	47,044	-
Deferred inflow of resources-OPEB	1,163	914	2,077	-
Total Deferred Inflow of Resources	27,391	21,730	49,121	-
NET POSITION				
Net investment in capital assets	1,628,303	2,384,193	4,012,496	-
Restricted for:				
Court use	18,121	-	18,121	-
Capital projects	4,102	-	4,102	-
Debt service	-	96,152	96,152	-
Parks	4,779	-	4,779	-
Police	5,859	-	5,859	-
Unrestricted	408,843	41,396	450,239	219,472
Total Net Position	\$ 2,070,007	\$ 2,521,741	\$ 4,591,748	\$ 219,472

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

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2020**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 182,476	\$ 11,919	\$ -	\$ 318,651
Public safety	289,143	2,182	-	-
Parks	24,576	-	-	-
Public services and operations	30,973	19,645	-	-
Public works	250,725	-	-	-
Interest on long-term debt	-	-	-	-
Total Governmental Activities	<u>777,893</u>	<u>33,746</u>	<u>-</u>	<u>318,651</u>
Business-type activities:				
Utility services	883,015	767,484	-	-
Total Business-type Activities	<u>883,015</u>	<u>767,484</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>1,660,908</u>	<u>801,230</u>	<u>-</u>	<u>318,651</u>
Component unit:				
Economic Development Corporation	55,894	-	3,186	-
Total Component Unit	<u>\$ 55,894</u>	<u>\$ -</u>	<u>\$ 3,186</u>	<u>\$ -</u>

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

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

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government			
Governmental Activities	Business Activities	Total	Component Unit
\$ 148,094	\$ -	\$ 148,094	\$ -
(286,961)	-	(286,961)	-
(24,576)	-	(24,576)	-
(11,328)	-	(11,328)	-
(250,725)	-	(250,725)	-
-	-	-	-
<u>(425,496)</u>	<u>-</u>	<u>(425,496)</u>	<u>-</u>
-	(115,531)	(115,531)	-
-	(115,531)	(115,531)	-
<u>(425,496)</u>	<u>(115,531)</u>	<u>(541,027)</u>	<u>-</u>
-	-	-	(52,708)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,708)</u>
\$ 414,958	\$ -	\$ 414,958	\$ -
367,471	-	367,471	91,868
66,339	-	66,339	-
1,011	45	1,056	-
3,956	2,131	6,087	13,150
(17,763)	17,763	-	-
<u>835,972</u>	<u>19,939</u>	<u>855,911</u>	<u>105,018</u>
410,476	(95,592)	314,884	52,310
1,659,531	2,617,333	4,276,864	167,162
<u>\$ 2,070,007</u>	<u>\$ 2,521,741</u>	<u>\$ 4,591,748</u>	<u>\$ 219,472</u>

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

**CITY OF EDGEWOOD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2020**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 221,054
Receivables (net of allowance for uncollectibles)	78,845
Grant receivable	177,333
Restricted - cash and cash equivalents	32,861
Total Assets	<u>510,093</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	1,670
Other liabilities	734
Total Liabilities	<u>2,404</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	24,387
Total Deferred Inflows of Resources	<u>24,387</u>
FUND BALANCES	
Fund balances	
Restricted For:	
Court use	18,121
Parks	4,779
Police	5,859
Capital projects	4,102
Unassigned	450,441
Total Fund Balances	<u>483,302</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 510,093</u>

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

**CITY OF EDGEWOOD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total fund balances - governmental funds balance sheet	\$ 483,302
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.	3,576,002
Accumulated depreciation is not included in the governmental fund financial statements.	(1,886,586)
Bonds payable and contractual obligations are not included in the governmental fund financial statements.	(61,113)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(18,329)
Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	24,386
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	(2,046)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(25,454)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(20,155)
Net position of governmental activities - statement of net position	<u>\$ 2,070,007</u>

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

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund
REVENUE	
Taxes:	
Property taxes, including P&I	\$ 407,285
Sales tax collected	367,471
Franchise taxes	66,339
Fines and forfeitures	18,793
Charges for services	14,918
Grants and contributions	318,651
Donations	35
Investment income	1,011
Miscellaneous	3,956
Total Revenues	1,198,459
EXPENDITURES	
Current:	
General government	169,451
Public safety	293,238
Public works	175,283
Public services and operations	30,037
Capital outlay:	
Public safety	28,363
Public works	318,603
Debt service:	
Installment payments	7,604
Interest and fiscal agent fees	9,251
Total Expenditures	1,031,830
Excess (deficiency) of revenues over (under) expenditures	166,629
OTHER FINANCING SOURCES (USES)	
Transfers	(17,763)
Total Other Financing Sources (uses)	(17,763)
Net Change in Fund Balances	148,866
Fund Balance, October 1	334,436
Fund Balance, September 30	\$ 483,302

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

**CITY OF EDGEWOOD, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds \$ 148,866

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

Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the capital outlays is to increase net position. 346,966

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. (97,375)

Current year long-term debt principal payments on bonds payable and contractual agreements are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the government-wide financial statements. 13,780

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. 7,673

Current year changes in pension expense do not require the use of current resources; therefore, are not reported as expenditures in governmental funds. (9,434)

Change in net position of governmental activities - statement of activities \$ 410,476

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 109,888
Receivables (net of allowance for uncollectible)	71,768
Total current assets	181,656
Noncurrent assets:	
Restricted cash and cash equivalents	1,511,675
Capital assets:	
Land	6,000
Buildings	319,589
Infrastructure	8,238,674
Machinery & equipment	208,778
Less: accumulated depreciation	(5,537,887)
Total capital assets (net of accumulated depreciation)	3,262,185
Total Assets	4,955,516
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow - pension	17,493
Deferred outflow - OPEB	2,596
Total Deferred Outflows	20,089
LIABILITIES	
Current liabilities:	
Accounts payable	1,154
Customer deposits - restricted assets	88,190
Other liabilities	5,501
Compensated absences-current	8,136
Notes payable - current	23,236
Certificates of obligation - current	110,000
Total current liabilities	236,217
Non-current liabilities:	
Net pension liability	20,202
Net OPEB liability	15,836
Notes payable	96,365
Certificates of obligation payable	2,063,514
Total non-current liabilities	2,195,917
Total Liabilities	2,432,134
DEFERRED INFLOW OF RESOURCES	
Deferred inflow - pension	20,816
Deferred inflow - OPEB	914
Total Deferred Inflows	21,730
NET POSITION	
Net investment in capital assets	2,384,193
Restricted for:	
Debt service	96,152
Unrestricted	41,396
Total net position	\$ 2,521,741

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

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION-PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 767,484
Federal grant revenue	-
Miscellaneous	2,131
Total Operating Revenues	<u>769,615</u>
OPERATING EXPENSES	
Administrative services	225,839
Supplies and materials	67,341
Maintenance and repair	83,803
Contractual services	320,298
Depreciation	181,101
Total Operating Expenses	<u>878,382</u>
Operating income (loss)	<u>(108,767)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	45
Interest expense	(4,631)
Total Non-Operating Revenues (Expenses)	<u>(4,586)</u>
Net Income(loss) before transfers	(113,353)
Transfers	<u>17,763</u>
Change in net position	(95,590)
Total net position-beginning	2,617,333
Total net position-ending	<u>\$ 2,521,743</u>

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

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Utility Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 757,314
Cash received from other sources	2,131
Cash paid to employees	(218,367)
Cash paid for goods and services	(471,442)
Net cash provided by (used in) operating activities	<u>69,636</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid	1,452,444
Interest and fiscal charges on debt	(4,631)
Acquisition and construction of capital assets	(27,033)
Cash provided in capital and related financing activities	<u>1,420,780</u>
Cash Flows from Noncapital Financing Activities	
Transfers	17,763
Cash used in noncapital financing activities	<u>17,763</u>
Cash Flows from Investing Activities	
Investment income	46
Cash provided by (used in) investing activities	<u>46</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,508,225
Cash and cash equivalents, October 1	113,338
Cash and cash equivalents, September 30	<u>\$ 1,621,563</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating income (loss)	\$ (108,767)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	181,101
Change in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	(8,375)
Increase (decrease) in liabilities:	
Customer deposits	(1,795)
Pension liability	7,472
Total adjustments	<u>178,403</u>
Net cash provided (used) by operating activities	<u>\$ 69,636</u>

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

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Edgewood, Texas ("City") is a municipal corporation governed by an elected mayor and a five-member council and provides the following services to its citizens: public safety (police and fire), public works, parks and recreation, water and sewer utilities, and general administrative services.

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

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council, and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Government Accounting Standards Board in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39, "Determining Whether Certain Organizations are Component Units." Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

As required by GAAP, these financial statements present the City, and its component unit, as entities for which the City is considered to be financially accountable. The discretely presented component unit has been combined and reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The City has one component unit - the Economic Development Corporation ("EDC"). The EDC was formed on April 26, 2005. The EDC is governed by a five member board, which is appointed by the City Council. The City does not have a voting majority. The purpose of the EDC is to aid, promote, and further the economic development within the City. The EDC is financed with a voter-approved 1/4 proportion of the city sales tax, therefore, the organization is fiscally dependent on the City. The nature of the significance of the relationship between the primary government and the component unit is such that exclusion would cause the City's financial statements to be misleading or incomplete.

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

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation

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

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

The City also presents a Management's Discussion and Analysis section, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted, and final amended General Fund budget, with actual results for the current fiscal year.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the City for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City entities for which the City is considered to be financially accountable.

The basic financial statements include both government-wide, (based on the City as a whole), and fund financial statements. The government-wide financial statements, (i.e., the statement of Net Position and the Statement of Activities), report information on all parts of the primary government. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.), or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

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

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental fund is the General Fund. GASB Statement No. 34 sets forth the minimum criteria, (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined), for the determination of major funds.

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

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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

3. Measurement Focus, Basis of Accounting

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

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

Governmental fund level financial statements are reported using the current financial resources measurements 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due and payable shortly after year-end, as required by GASB Interpretation No. 6.

Ad valorem, franchise, and sales tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues, are recorded as revenues when received in cash, as the resulting receivable is not measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental revenues are recognized when all eligibility requirements have been met.

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

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 proprietary funds), are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental fund of the City.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

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

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

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

The **Utility Fund** is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs, (expenses, including depreciation), of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade receivables in excess of 60 days comprise the trade accounts receivable for uncollectible accounts.

c. Restricted Assets

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

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

d. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

**CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current year.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (in years)</u>
Infrastructure	10 - 40
Buildings	10 - 40
Building Improvements	5 - 30
Equipment	5 - 10
Vehicles	5 - 7

e. Compensated Absences

Compensated absences represent the estimated liability for employees' accrued sick leave, and compensatory time, for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from either the General Fund or the Utility Fund, based on the assignment of an employee at termination.

f. Pension

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension, reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2019. Changes in the net pension liability are recorded as pension expense, or as deferred inflows of resources, or deferred outflows of resources, depending on the nature of the changes. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources, (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience), will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflow/outflows of resources relating to pension expense, information about the fiduciary net position of the City's pension plan with TMRS, and additions to/deductions from the plan's fiduciary net position, have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments, (including refunds of employee contributions), are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Difference between projected and actual investment earnings are reported as deferred inflows of resources, or deferred outflows of resources, and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (Continued)

g. Deferred outflows/inflows of resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s), and so will not be recognized as an outflow of resources, (expenses/expenditures), until then. The City has one item that qualifies in this category. The City's pension plan reports contributions made from the measurement date of the pension plan to the current fiscal year end as deferred and are recognized in the subsequent fiscal year end, as well as differences in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. As a component of implementing GASB Statement No. 68, a deferred outflow is recorded in the government-wide Statement of Net Position, and fund level financial statements, for the proprietary Statement of Net Position.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Accordingly, the item, *deferred revenue*, is reported in the governmental funds Balance Sheet. Deferred revenue from property taxes is shown as deferred inflows of resources. The amount is deferred and recognized as inflows of resources in the period that the amounts become available.

Deferred outflows of resources are used to report consumption of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net position by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

h. Long-term Obligations

In the government-wide financial statements and proprietary 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 interest method. Management compared this method to the effective interest method, and found the difference to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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

i. Net Position Flow Assumption

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

CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

j. Fund Equity

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

- **Nonspendable fund balance** - include the portion of net resources that cannot be spent because of their form, (i.e., inventory, long-term loans, or prepaids), or because they must remain intact such as the principal of an endowment.
- **Restricted fund balance** - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers, or as allowed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by the Council using the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- **Assigned fund balance** - includes the portion of net resources for which an *intended* use has been established by the City Council. Assignment of fund balance are much less formal than commitments, and do not require formal action for their imposition or removal. In governmental funds, other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned fund balance** - includes the amounts in the General Fund in excess of what can properly be classified in one of the other categories of fund balance. It is the residual classification of the General Fund, and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unprecedented one-time expenditures.

It is the long-term goal of the City to maintain a minimum fund balance in the General Fund equal to 5% of expenditures. The City is currently in compliance with this policy.

k. Fund Balance Flow Assumption

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

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

I. Comparative Data/Reclassification

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

m. Property Taxes

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

Taxes are due October 1, (immediately following the levy date), and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as revenue at the fund level.

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

For the fiscal year September 30, 2020, the City had a tax rate of \$0.6546 per \$100 assessed valuation.

n. Interfund Activity

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

o. Federal and State Grants

Grants revenues are generally accounted for within the fund financed.

p. Use of Estimates

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

q. Program Revenues

Certain revenues such as charges for services are included in program revenues.

**CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

r. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

3. Budgets and Budgetary Accounting

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

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means for financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the Mayor, shall be deemed to have been adopted by the City Council.
- According to the City Charter, total estimated expenditures of the General Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The Mayor is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

**CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

C. CASH AND INVESTMENTS

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,875,478 and the bank balance was \$1,906,047. The City's cash deposits at September 30, 2020, and during the year ended September 30, 2020, were entirely covered by FDIC and by pledged collateral held by the City's agent bank in the City's name. Cash and investments as of September 30, 2020 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government

Cash and cash equivalents	\$ 330,942
Restricted assets-cash and cash equivalents	1,544,536
Total cash and cash equivalents	<u>1,875,478</u>

Governmental - Restricted Cash

Grant Fund	4,102
Court Tech Fund	4,388
Court Security Fund	3,536
Child Safety Fund	10,196
Police Department Funds	5,859
Park Funds	4,779
Total Governmental	<u>32,860</u>

Business-type - Restricted Cash

Debt proceeds	1,415,123
Debt Service	96,553
Total Business-type	<u>1,511,676</u>

Total Restricted Cash	<u>\$ 1,544,536</u>
------------------------------	----------------------------

Investments:

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

Custodial credit risk

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

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

D. RECEIVABLES

Receivables as of year-end for the City's individual funds, including the applicable allowances for uncollectible accounts, are as follows.

	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Taxes	\$ 79,794	\$ -	\$ 79,794
Fees and charges	65,292	82,723	148,015
Grant receivable	177,333	-	177,333
Gross Receivables	322,419	82,723	405,142
Less: allowance for uncollectibles	(66,241)	(10,955)	(77,196)
Net Total Receivables	<u>\$ 256,178</u>	<u>\$ 71,768</u>	<u>\$ 327,946</u>

E. CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	<u>15,060</u>	<u>-</u>	<u>-</u>	<u>15,060</u>
Capital assets, being depreciated:				
Buildings & Improvements	\$ 751,662	\$ -	\$ -	\$ 751,662
Infrastructure	2,059,878	311,376	-	2,371,254
Equipment & Vehicles	402,431	35,591	-	438,021
Total capital assets, being depreciated	<u>3,213,971</u>	<u>346,967</u>	<u>-</u>	<u>3,560,937</u>
Less accumulated depreciation for:				
Buildings	(639,860)	(12,631)	-	(652,491)
Infrastructure	(808,180)	(69,029)	-	(877,209)
Equipment & Vehicles	(341,169)	(15,712)	-	(356,881)
Total accumulated depreciation	(1,789,209)	(97,372)	-	(1,886,581)
Total capital assets, being depreciated, net	1,424,762	249,595	-	1,674,356
Total Governmental activities capital assets, net	<u>\$ 1,439,822</u>	<u>\$ 249,595</u>	<u>\$ -</u>	<u>\$ 1,689,416</u>

CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

E. CAPITAL ASSETS (Continued)

	Beginning Balances	Additions	Decreases	Ending Balances
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Construction in Progress	-	27,031	-	27,031
Total capital assets, not being depreciated	6,000	27,031	-	33,031
Capital assets, being depreciated:				
Building & Improvements	319,590	-	-	319,590
Infrastructure	8,238,672	-	-	8,238,672
Equipment & Vehicles	208,781	-	-	208,780
Total capital assets, being depreciated	8,767,043	-	-	8,767,042
Less accumulated depreciation for:				
Building & Improvements	(306,477)	(1,007)	-	(307,484)
Infrastructure	(4,905,285)	(171,450)	-	(5,076,735)
Equipment & Vehicles	(145,027)	(8,642)	-	(153,669)
Total accumulated depreciation	(5,356,789)	(181,099)	-	(5,537,888)
Total capital assets, being depreciated, net	3,410,254	(181,099)	-	3,229,154
Total Business-type activities capital assets, net	\$ 3,416,254	\$ (154,068)	\$ -	\$ 3,262,185

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

Governmental activities:	
General Government	\$ 13,024
Fire	1,465
Municipal Court	936
Parks	24,576
Public Safety	617
Public Works	56,754
Total depreciation expense - governmental activities	\$ 97,372
Business-type activities:	
Water and Sewer	\$ 181,099

There was no capitalized interest during the current year.

CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

F. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	74,893	-	(13,781)	61,112	14,327
Net Pension Liability	31,278	-	(5,824)	25,454	-
Net OPEB Liability	16,002	4,153	-	20,155	-
Compensated Absences	21,329	12,830	(15,830)	18,329	-
Governmental Activity Long-term Debt	\$ 143,502	\$ 16,983	\$ (35,435)	\$ 125,050	\$ 14,327
Business-type Activities					
Certificates of Obligation	695,000	1,513,514	(35,000)	2,173,514	110,000
Total Bonds Payable	695,000	1,513,514	(35,000)	2,173,514	110,000
Notes Payable	145,554	-	(25,954)	119,600	23,236
Net OPEB Liability	12,572	3,264	-	15,836	-
Net Pension Liability	24,824	-	(4,622)	20,202	-
Compensated Absences	8,136	5,695	(5,695)	8,136	-
Governmental Activity Long-term Debt	\$ 886,086	\$ 1,522,473	\$ (71,271)	\$ 2,337,288	\$ 133,236

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

Changes in Governmental Long-Term Debt

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding September 30</u>		<u>Amounts Outstanding September 30</u>		<u>Due Within One Year</u>
			<u>2019</u>	<u>Issued</u>	<u>Retired</u>	<u>2020</u>	
FNB (34%)	3.50%	80,000	55,679	-	(7,603)	48,076	7,935
Citizens First Bank	3.50%	31,660	19,214	-	(6,178)	13,036	6,392
Net Pension Liability	-	-	31,278	-	(5,824)	25,454	-
Net OPEB Liability	-	-	16,002	4,153	-	20,155	-
Compensated Absences	-	-	21,329	12,830	(15,830)	18,329	-
		111,660	143,502	16,983	(35,435)	125,050	14,327
Governmental Activity long-term debt		\$ 111,660	\$ 143,502	\$ 16,983	\$ (35,435)	\$ 125,050	\$ 14,327

**CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A description of notes payable and the debt service requirements is as follows:

The City incurred a notes payable with First National Bank ("FNB") in the amount of \$80,000 for the improvement of street infrastructure on April 11, 2016. This note is to be repaid over a period of 11 years with an annual interest rate of 3.50%.

The City incurred a notes payable with Citizens First Bank in the amount of \$31,660 for police body cameras in July 2017. This note is to be repaid over a four year period with an annual interest rate of 3.50%

Governmental notes payable requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2021	14,327	2,012	16,339
2022	14,862	1,506	16,368
2023	8,510	981	9,491
2024	8,810	680	9,490
2025	9,126	365	9,491
2026	5,477	30	5,507
Totals	\$ 61,112	\$ 5,574	\$ 66,686

CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

F. LONG-TERM OBLIGATIONS

Changes in Governmental Long-Term Debt (continued)

Changes in Business-type Long-Term Debt

	Interest Rate Payable	Amounts Issue	Amounts Outstanding 2019	Amounts Issued	Amounts Retired	Amounts Outstanding 2020	Due Within One Year
Series 2009 CO	0.00%	\$ 835,000	\$ 695,000	\$ -	\$ (35,000)	\$ 660,000	\$ 35,000
Series 2020 CO	0.00% to 1.410%	1,540,000	-	1,540,000	-	1,540,000	75,000
Deferred Amounts:							
Discount		(26,486)	-	(26,486)	-	(26,486)	(1,324)
Total Bonds Payable		2,348,514	695,000	1,513,514	(35,000)	2,173,514	108,676
FNB Edgewood	4.50%	40,000	23,910	-	(2,668)	21,242	2,797
FNB (66%)	3.50%	155,125	108,193	-	(14,870)	93,323	15,404
Caterpillar Backhoe	3.20%	47,562	13,451	-	(8,416)	5,035	5,035
Net OPEB Liability		-	12,572	3,264	-	15,836	-
Net Pension Liability		-	24,824	-	(4,622)	20,202	-
Compensated Absences		-	8,136	5,695	(5,695)	8,136	-
		242,687	191,086	8,959	(36,271)	163,774	23,236
Business-type long-term debt		\$ 2,591,201	\$ 886,086	\$ 1,522,473	\$ (71,271)	\$ 2,337,288	\$ 131,912

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2021	131,912	14,273	146,185
2022	127,550	15,275	142,825
2023	128,249	14,576	142,825
2024	128,971	13,803	142,774
2025	129,726	12,882	142,608
2026-2030	559,951	54,300	614,251
2031-2035	548,379	39,925	588,304
2036-2040	538,376	16,857	555,233
Totals	\$ 2,293,114	\$ 181,891	\$ 2,475,005

A description of the purpose for each bond issuance is as follows:

\$835,000, Combination Tax and Revenue Certificate of Obligation, Series 2009 was issued through the Texas Water Development Board for water and sewer treatment plant upgrades. This debt was issued in October 2009 and matures in 2039.

\$1,540,000, Combination Tax and Revenue Certificate of Obligation, Series 2020 was issued through the Texas Water Development Board to replace aging and deteriorating sewer lines, manholes, and pumping facilities within its wastewater collection system. These were issued May 2020, and matures in 2040.

A description of notes payable and the debt service requirements is as follows:

The City incurred a note payable with First National Bank of Edgewood in 2012 in the amount of \$40,000 for the construction of a building. This note is to be repaid with an annual interest rate of 4.5%.

The City incurred a lease payable with Caterpillar Financial Service Corporation in the amount of \$47,562 for the purchase of a backhoe. This lease is to be repaid over a period of 6 years with an annual interest rate of 3.2%.

The City incurred a notes payable with First National Bank ("FNB") in the amount of \$155,125 for the improvement of sewer and water infrastructure on April 11, 2016. This note is to be repaid over a period of 11 years with an annual interest rate of 3.50%.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

F. LONG-TERM OBLIGATIONS

Changes in Governmental Long-Term Debt (continued)

Proprietary note payable debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2021	23,236	4,028	27,264
2022	18,874	3,300	22,174
2023	19,573	2,601	22,174
2024	20,295	1,880	22,175
2025	21,050	1,124	22,174
2026	16,572	424	16,996
Totals	\$ 119,600	\$ 13,357	\$ 132,957

G. PENSION PLAN

1. Plan Description

The City participates in a non-traditional, joint contributory, hybrid defined benefit 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 ("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, appoint the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

Employees covered by benefit terms:

At the December 31, 2018, and 2019 valuation and measurement dates, the following employees were covered by the benefit terms:

	Plan Year	
	2018	2019
Inactive employees or beneficiaries currently receiving benefits	6	7
Inactive employees entitles to but not yet receiving benefits	9	8
Active employees	11	11
	26	26

3. 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 City Council. Under the state law governing TRMS, 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 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.32% and 3.01% in calendar year 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$19,206 and were equal to the required contributions.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

G. PENSION PLAN (Continued)

4. 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 in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.5% to 11.5%, including inflation
Investment Rate of Return	6.75%

Salary increases are estimated using 2.75% per year representing the expected yearly increase in total payroll. Service retirees and beneficiary mortality rates used in calculating the actuarial liability and the retirement contribution rate are calculated using gender-distinct 2019 municipal retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 96.0%. Mortality rates for disabled retirees were calculated using mortality tables for healthy retirees with a 4 year set-forward for and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment of younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate

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

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

G. PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 403,673	\$ 347,571	\$ 56,102
Changes for the year:			
Service cost	38,190	-	38,190
Interest	28,809	-	28,809
Change of benefit terms	15,545	-	15,545
Difference between expected and actual experience	(6,951)	-	(6,951)
Changes of assumptions	(1,528)	-	(1,528)
Contributions - employer	-	11,700	(11,700)
Contributions - employee	-	19,307	(19,307)
Net investment income	-	53,816	(53,816)
Benefit payments, including refunds of employee contributions	(23,021)	(23,021)	-
Administrative expense	-	(304)	304
Other changes	-	(8)	8
Net changes	51,044	61,490	(10,446)
Balance at 12/31/2019	\$ 454,717	\$ 409,061	\$ 45,656

Sensitivity of the net position liability to changes in the discount rate

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

Current Single Rate		
1% Decrease 5.75%	Assumption 6.75%	1% Increase 7.75%
\$ 101,235	\$ 45,656	\$ (1,241)

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

For the year ended September 30, 2020, the City recognized pension expense of \$40,175.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ 425	\$ 13,379
Changes in actuarial assumptions	-	1,154
Difference between projected and actual investment earnings	19,902	32,511
Contributions subsequent to the measurement date of December 31, 2019	19,206	-
	<u>\$ 39,533</u>	<u>\$ 47,044</u>

\$19,206 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

G. PENSION PLAN (Continued)

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resourced Related to Pensions (Continued)

Net deferred outflows (inflows) of resources:	
December 31	
2020	(9,502)
2021	9,450
2022	(1,511)
2023	(6,254)
2024	-
Thereafter	-
	\$ (7,817)

6. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing a one-year term life insurance policy. 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.

Total OPEB Liability

The City of Edgewood's total OPEB liability of \$35,991 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.75%

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2019.

Mortality Rates - Service Retirees:

Beneficiary mortality rates used in calculating the actuarial liability and the retirement contribution rate are calculated using gender-distinct 2019 municipal retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 96.0%.

Mortality Rates - Disabled Retirees:

Mortality rates for disabled retirees were calculated using mortality tables for healthy retirees with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment of younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

G. PENSION PLAN (Continued)

6. Group-term Life Insurance (Continued)

Membership

Number of:

-Inactive employees currently receiving benefits	5
-Inactive employees entitled to but not yet receiving benefits	0
-Active employees	11
Total	<u>16</u>

Changes in the Total OPEB Liability:

Total OPEB Liability - beginning of year	\$ 28,574
Changes for the year:	
Service costs	2,201
Interest on Total OPEB Liability	1,096
Changes in benefit terms	-
Differences between expected and actual experience	(372)
Changes in assumptions or other inputs	4,762
Benefit payments	(270)
Total OPEB Liability - end of year	<u>\$ 35,991</u>

The following presents the Total OPEB Liability of the City of Edgewood as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate.

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB Liability	<u>\$ 41,990</u>	<u>\$ 35,991</u>	<u>\$ 31,186</u>

Deferred (Inflows)/Outflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 915
Changes in assumptions and other inputs	3,867	-
Contributions made subsequent to measurement date	872	-
Total	<u>\$ 4,739</u>	<u>\$ 915</u>

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

	Net Deferred Outflows (Inflows) of Resources
2020	\$ 551
2021	551
2022	551
2023	426
2024	443
Thereafter	430
Total	<u>\$ 2,952</u>

**CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

H. HEALTH CARE COVERAGE

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan ("Plan"). The City contributed approximately \$600 per month per employee. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to Texas Municipal League ("TML") Intergovernmental Employee Benefits Pool, acting on behalf of the self-funded pool. The Plan was authorized by article 3.51-2, of the Texas Insurance Code and was documented by contractual agreement.

I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage listed above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

J. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

K. COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies.

L. TRANSFERS

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	\$ (17,763)		\$ (17,763)
Water and Sewer Fund		17,763	17,763
Net Governmental	<u>\$ (17,763)</u>	<u>\$ 17,763</u>	<u>\$ -</u>

Transfers are used to transfer funds to and from the sinking fund accounts for payment of debt and to transfer assets from one fund to the other when needed.

M. RELATED PARTY TRANSACTIONS

All City Council members receive a discount for water services as they are not charged for water usage.

N. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2020 up through November 9, 2020, the date the financial statements were available to be issued.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

O. ECONOMIC DEVELOPMENT CORPORATION

The Economic Development Corporation ("EDC") is financed with the City transferring 1/4 of sales tax receipts each month. This has voter approval and is to be used for direct assistance to prospective and continued development of infrastructure.

a. Deposits and Investments

Cash and investments as of September 30, 2020 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Unrestricted Cash	<u>\$ 204,490</u>

Custodial credit risk

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

As of September 30, 2020, EDC deposits with financial institutions were fully covered by FDIC.

b. Receivables

Receivables at fiscal year-end for the EDC were \$14,982 representing sales tax owed from the City. Receivables were collected after year-end; thereafter, no allowance for uncollectible has been recorded.

c. Subsequent Events

The EDC has evaluated all events or transactions that occurred after September 30, 2020 up through November 9, 2020, the date the financial statements were available to be issued. During this period, management noted no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF EDGEWOOD, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property taxes, including P&I	\$ 441,494	\$ 441,494	\$ 407,285	\$ (34,209)
Franchise taxes	66,000	66,000	66,339	339
Sales tax collected	280,000	280,000	367,471	87,471
Fines and forfeitures	30,000	30,000	18,793	(11,207)
Charge for services	13,000	13,000	14,918	1,918
Investment income	-	-	1,011	1,011
Grant revenues	-	-	318,651	318,651
Miscellaneous	2,500	2,500	3,956	1,456
Total Revenues	832,994	832,994	1,198,459	365,465
EXPENDITURES				
Current:				
General government	166,501	166,501	169,451	(2,950)
Public safety	304,827	304,827	293,238	11,589
Public works	180,187	180,187	175,283	4,904
Public services and operations	46,992	46,992	30,037	16,955
Capital outlay:				
Public safety	-	-	28,363	(28,363)
Public works	100,000	100,000	318,603	(218,603)
Debt service:				
Installment payments	-	-	7,604	(7,604)
Interest and fiscal agent fees	-	-	9,251	(9,251)
Total Expenditures	798,507	798,507	1,031,830	(233,323)
Excess (deficiency) of revenues (under) expenditures	34,487	34,487	166,629	132,142
Other Revenues and Financing Sources (Uses)				
Transfers	-	-	(17,763)	(17,763)
Total Other Financing Sources (Uses)	-	-	(17,763)	(17,763)
Net Change in Fund Balance	34,487	34,487	148,866	114,379
Fund Balances/Equity, October 1	334,436	334,436	334,436	
Fund Balances/Equity, September 30	\$ 368,923	\$ 368,923	\$ 483,302	

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

**CITY OF EDGEWOOD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

	<u>12/31/2018</u>	<u>12/31/2019</u>			
Actuarially determined contribution	\$ 11,882	\$ 11,118			
Contributions in relation to the actuarially determined contribution	<u>\$ 11,882</u>	<u>\$ 11,118</u>			
Contributions deficiency (excess)	\$ -	\$ -			
Covered employee payroll	\$ 372,204	\$ 386,147			
Contributions as a percentage of covered employee payroll	3.19%	2.88%			
	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Actuarially determined contribution	\$ 6,568	\$ 7,303	\$ 12,199	\$ 12,198	\$ 13,040
Contributions in relation to the actuarially determined contribution	<u>\$ 6,568</u>	<u>\$ 7,303</u>	<u>\$ 12,199</u>	<u>\$ 12,198</u>	<u>\$ 13,040</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 196,642	\$ 210,457	\$ 345,578	\$ 345,548	\$ 369,758
Contributions as a percentage of covered employee payroll	3.34%	3.47%	3.53%	3.53%	3.53%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	2.5% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected in a fully generational basis with scale UMP.

Other Information:

Notes Increased municipal matching ratio from 1-1 to 2-1.

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

**CITY OF EDGEWOOD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability						
Service cost	\$ 38,190	\$ 25,459	\$ 25,118	\$ 25,504	\$ 14,937	\$ 14,017
Interest (on the Total Pension Liability)	28,809	26,196	23,889	21,604	21,347	20,254
Changes of benefit terms	15,545	-	-	-	-	-
Difference between expected and actual experience	(6,951)	(16,728)	2,321	2,037	(16,249)	844
Change of assumptions	(1,528)	-	-	-	9,562	-
Benefit payments, including refunds of employee contributions	(23,021)	(13,222)	(21,415)	(8,804)	(30,754)	(9,153)
Net Change in Total Pension Liability	51,044	21,705	29,913	40,341	(1,157)	25,962
Total Pension Liability - Beginning	403,673	381,968	352,055	311,714	312,871	286,909
Total Pension Liability - Ending	\$ 454,717	\$ 403,673	\$ 381,968	\$ 352,055	\$ 311,714	\$ 312,871
Plan Fiduciary Net Position						
Contribution - employer	\$ 11,700	\$ 12,320	\$ 15,071	\$ 12,204	\$ 8,101	\$ 7,400
Contribution - employee	19,307	18,610	17,814	17,279	10,919	10,662
Net investment income	53,816	(10,202)	40,067	16,998	388	13,762
Benefit payments, including refunds of employee contributions	(23,021)	(13,222)	(21,415)	(8,804)	(30,755)	(9,153)
Administrative expense	(304)	(196)	(208)	(192)	(236)	(144)
Other	(9)	(10)	(9)	(10)	(12)	(12)
Net Change in Plan Fiduciary Net Position *	61,489	7,300	51,320	37,475	(11,595)	22,515
Plan Fiduciary Net Position - Beginning	347,571	340,271	288,951	251,476	263,071	240,556
Plan Fiduciary Net Position - Ending	\$ 409,060	\$ 347,571	\$ 340,271	\$ 288,951	\$ 251,476	\$ 263,071
Net Pension Liability - Ending	\$ 45,657	\$ 56,102	\$ 41,697	\$ 63,104	\$ 60,238	\$ 49,800
Plan Fiduciary Net Position as a percentage of Total Pension Liability	89.96%	86.10%	89.08%	82.08%	80.68%	84.08%
Covered employee payroll	\$ 386,147	\$ 372,204	\$ 356,288	\$ 345,578	\$ 218,370	\$ 210,457
Net Pension Liability as a percentage of covered employee payroll	11.82%	15.07%	11.70%	18.26%	27.59%	23.66%

* May be off due to rounding

Note: Years will be added until there are 10 years of comparison

**CITY OF EDGEWOOD, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total OPEB Liability			
Service cost	\$ 2,201	\$ 2,233	\$ 1,960
Interest (on the Total OPEB Liability)	1,096	964	927
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(372)	(861)	-
Change of assumptions	4,762	(1,672)	1,814
Benefit payments, including refunds of employee contributions	(270)	(186)	(285)
Net Change in Total Pension Liability	<u>7,417</u>	<u>478</u>	<u>4,416</u>
Total OPEB Liability - Beginning	28,574	28,096	23,680
Total OPEB Liability - Ending	<u><u>\$ 35,991</u></u>	<u><u>\$ 28,574</u></u>	<u><u>\$ 28,096</u></u>
Covered employee payroll	\$ 386,147	\$ 372,204	\$ 356,288
Total OPEB Liability as a percentage of covered employee payroll	9.32%	7.68%	7.89%

See accompanying notes to these financial statements for more detail.

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



SUPPLEMENTARY INFORMATION

**CITY OF EDGEWOOD, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2020**

	EDC Fund
ASSETS	
Cash and cash equivalents	\$ 204,490
Receivables (net of allowance for uncollectibles)	14,982
Total Assets	<u>219,472</u>
 FUND BALANCE	
Fund balance	
Unassigned	219,472
Total Fund Balance	<u>219,472</u>
 Total Liabilities and Fund Balance	<u>\$ 219,472</u>

**CITY OF EDGEWOOD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2020**

Total fund balances - governmental funds balance sheet	\$ 219,472
There are no reconciling items.	-
Net position of governmental activities - statement of net position	<u><u>\$ 219,472</u></u>

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	EDC Fund
REVENUE	
Sales tax collected	\$ 91,868
Donations	3,186
Civic center income	13,150
Total Revenues	<u>108,204</u>
EXPENDITURES	
Current:	
General government	53,884
Salaries	2,010
Total Expenditures	<u>55,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,310</u>
Net Change in Fund Balance	52,310
Fund Balance/Equity, October 1	167,162
Fund Balance/Equity, September 30	<u>\$ 219,472</u>

**CITY OF EDGEWOOD, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds \$ 52,310

There are no reconciling items. -

Change in net position of governmental activities - statement of activities \$ 52,310



STATISTICAL REPORTS

**CITY OF EDGEWOOD, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(unaudited)**

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2011	\$ 283,208	\$ 269,966	95.32%	\$ -	\$ 269,966	95.3%
2012	286,251	270,922	94.64%	6,220	277,142	96.8%
2013	297,508	253,683	85.27%	5,522	259,206	87.1%
2014	270,297	255,776	94.63%	4,266	260,042	96.2%
2015	296,155	266,340	89.93%	3,290	269,630	91.0%
2016	296,155	285,035	96.25%	29,481	314,516	106.2%
2017	306,491	297,263	96.99%	430	297,693	97.1%
2018	313,086	306,012	97.74%	9,192	315,204	100.7%
2019	378,460	369,931	97.75%	7,395	377,326	99.7%
2020	413,802	401,239	96.96%	2,541	403,780	97.6%

Source: Van Zandt County Appraisal District