

CITY OF EDGEWOOD, TEXAS

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2021

**Mayor
Steve Steadham**



**CITY OF EDGEWOOD, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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INTRODUCTORY SECTION

**CITY OF EDGEWOOD, TEXAS
PRINCIPAL OFFICIALS
September 30, 2021**

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	Amanda Forbes

FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

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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, 2021, 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. 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, 2021, 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

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

February 14, 2022

CITY OF EDGEWOOD, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021

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, 2021.

Financial Highlights

- The assets of the City of Edgewood exceeded its liabilities at the close of the fiscal year by \$4,861,132 (net position). Of this amount, \$3,081,576, or 63.39%, 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 \$1,574,208, or 32.38%. The remaining \$205,348, or 4.22%, 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 \$269,384 during the fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$712,416, an increase of \$229,114, or 47%, in comparison with the prior year. Approximately 95% of this total amount, or \$678,477, 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 \$678,477 was 58% of total General Fund expenditures for the fiscal year.
- The City's total long-term obligations increased by \$120,993, or 5%, 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, 2021**

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 932,562	\$ 510,093	\$ 1,731,610	\$ 1,693,331	\$ 2,664,172	\$ 2,203,424
Capital assets	1,944,433	1,689,416	3,108,420	3,262,185	5,052,853	4,951,601
Total assets	2,876,995	2,199,509	4,840,030	4,955,516	7,717,025	7,155,025
Deferred outflow of resources						
Pension	26,556	25,345	21,036	20,089	47,592	45,434
Current liabilities	195,759	2,405	99,356	94,845	295,115	97,250
Long-term liabilities	887,088	125,051	1,686,195	2,337,289	2,573,283	2,462,340
Total liabilities	1,082,847	127,456	1,785,551	2,432,134	2,868,398	2,559,590
Deferred inflow of resources						
Pension	19,566	27,391	15,521	21,730	35,087	49,121
Net position:						
Net investment in capital assets	1,611,970	1,628,303	1,469,606	2,384,193	3,081,576	4,012,496
Restricted	33,939	32,861	1,540,269	96,152	1,574,208	129,013
Unrestricted	155,229	408,843	50,119	41,396	205,348	450,239
Total net position	\$ 1,801,138	\$ 2,070,007	\$ 3,059,994	\$ 2,521,741	\$ 4,861,132	\$ 4,591,748

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 \$4,861,132 as of September 30, 2021. The City's net position increased by \$269,384, or 6%, for the fiscal year ended September 30, 2021

Net investment in capital assets:

The largest portion of the City's net position, 63.39%, or \$3,081,576, 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 \$1,574,208, representing 32.38% 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 \$17,967, or 1%, for state imposed restrictions, \$125,146, or 8%, for debt service, \$1,415,123, or 90%, for capital projects, \$7,998, or 1%, for for parks, and \$7,974, or 1%, for police.

Unrestricted net position:

Unrestricted net position in the amount of \$205,348, or 4.22%, 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, 2021**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUE						
Program Revenues:						
Charges for Services	\$ 53,368	\$ 33,746	\$ 894,569	\$ 767,484	\$ 947,937	\$ 801,230
Grant Revenue	56,979	318,651	-	-	56,979	318,651
General Revenues:						
Property Taxes including P&I	455,878	414,958	-	-	455,878	414,958
Sales Tax Collected	429,240	367,471	-	-	429,240	367,471
Franchise Fees	70,057	66,339	-	-	70,057	66,339
Investment Income	183	1,011	462	45	645	1,056
Miscellaneous	32,721	3,956	2,412	2,131	35,133	6,087
Total Revenues	1,098,426	1,206,132	897,443	769,660	1,995,869	1,975,792
EXPENSES						
Program Expenses:						
General Government	182,022	182,476	-	-	182,022	182,476
Public Safety	322,937	289,143	-	-	322,937	289,143
Parks	31,883	24,576	-	-	31,883	24,576
Public Works	244,766	250,725	-	-	244,766	250,725
Public Services and Operations	33,565	30,973	-	-	33,565	30,973
Interest and Fiscal Agent Fees	19,847	-	-	-	19,847	-
Water and Sewer	-	-	891,465	883,015	891,465	883,015
Total Expenses	835,020	777,893	891,465	883,015	1,726,485	1,660,908
Increase (Decrease) in Net Position before Transfers	263,406	428,239	5,978	(113,355)	269,384	314,884
Transfers	(2,545)	(17,763)	2,545	17,763	-	-
Increase (Decrease) in Net Position	260,861	410,476	8,523	(95,592)	269,384	314,884
Net Position October 1	2,070,007	1,659,531	2,521,741	2,617,333	4,591,748	4,276,864
Prior Period Adjustments	(529,730)	-	529,730	-	-	-
Net Position September 30	\$ 1,801,138	\$ 2,070,007	\$ 3,059,994	\$ 2,521,741	\$ 4,861,132	\$ 4,591,748

The Governmental Activities have increased the net position in the current fiscal year by \$260,861, a 13% increase over the prior year.

The Business-type Activities decreased the net position in the current fiscal year by \$8,523, a .34% increase from the prior year.

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

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 \$712,416, an increase of \$229,114. A total of \$678,477, or 95%, is unassigned and can be used for any lawful purpose. The amount of restricted fund balance of \$17,967, or 3%, is restricted for state imposed restrictions related to child safety, court technology, and security, \$7,998, or 1%, is restricted for parks, \$7,974, or 1%, is restricted for the police department. Finally, \$1,415,000 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 58% 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 \$50,119, and \$1,469,606 was invested in capital assets, less related debt.

**CITY OF EDGEWOOD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Capital assets - The City of Edgewood's net investment in capital assets for its governmental and business-type activities, as of September 30, 2021, totaled \$5,052,853 (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 \$128,283 or, 3%.

Major capital asset transactions during the year include the following:

- Park improvements
- New public works dumptruck
- Utility improvements

**Capital Assets
As of September 30, 2021
(net of accumulated depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 15,060	\$ 15,060	\$ 6,000	\$ 6,000	\$ 21,060	\$ 21,060
Machinery & Equipment	93,446	81,142	46,471	55,113	139,917	136,255
Buildings	94,079	99,170	11,140	12,105	105,219	111,275
Infrastructure	1,741,848	1,494,044	3,017,778	3,161,936	4,759,626	4,655,980
Total	\$ 1,944,433	\$ 1,689,416	\$ 3,108,420	\$ 3,235,154	\$ 5,052,853	\$ 4,924,570

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, 2021, the City of Edgewood had total long-term outstanding obligations of \$2,475,221. This is an increase of \$120,993, or 5%.

**Long-Term Debt
As of September 30, 2021**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Combination Tax and Revenue Certificates of Obligation	503,944	-	1,560,895	2,173,514	2,064,839	2,173,514
Notes Payable	332,463	61,113	77,919	119,601	410,382	180,714
Total	\$ 836,407	\$ 61,113	\$ 1,638,814	\$ 2,293,115	\$ 2,475,221	\$ 2,354,228

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, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 815,166	\$ 133,879	\$ 949,045	\$ 248,303
Receivables (net of allowance for uncollectibles)	83,457	57,462	140,919	20,304
Grant receivable	-	-	-	-
Restricted assets:				
Cash and cash equivalents	33,939	1,540,269	1,574,208	-
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	93,446	46,471	139,917	-
Buildings & improvements	94,079	11,140	105,219	-
Infrastructure	1,741,848	3,017,778	4,759,626	-
Total Assets	<u>2,876,995</u>	<u>4,840,030</u>	<u>7,717,025</u>	<u>268,607</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources-pension	21,331	16,930	38,261	-
Deferred outflow of resources-OPEB	5,225	4,106	9,331	-
Total Deferred Outflow of Resources	<u>26,556</u>	<u>21,036</u>	<u>47,592</u>	<u>-</u>
LIABILITIES				
Accounts payable	-	13,897	13,897	-
Customer deposits	-	80,612	80,612	-
Accrued expenses	4,230	-	4,230	-
Unearned revenues	188,937	4,738	193,675	-
Accrued interest payable	1,127	-	1,127	-
Other liabilities	1,465	109	1,574	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	-	7,356	7,356	-
Notes payable	30,980	15,952	46,932	-
Certificates of obligation	26,250	83,750	110,000	-
Due in more than one year:				
Net pension liability	25,718	20,411	46,129	-
Net OPEB liability	24,963	19,614	44,577	-
Notes payable	301,483	61,967	363,450	-
Certificates of obligation	477,694	1,477,145	1,954,839	-
Total Liabilities	<u>1,082,847</u>	<u>1,785,551</u>	<u>2,868,398</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources-pension	18,550	14,722	33,272	-
Deferred inflow of resources-OPEB	1,016	799	1,815	-
Total Deferred Inflow of Resources	<u>19,566</u>	<u>15,521</u>	<u>35,087</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	1,611,970	1,469,606	3,081,576	-
Restricted for:				
Court use	17,967	-	17,967	-
Capital projects	-	1,415,123	1,415,123	-
Debt service	-	125,146	125,146	-
Parks	7,998	-	7,998	-
Police	7,974	-	7,974	-
Unrestricted	155,229	50,119	205,348	268,607
Total Net Position	<u>\$ 1,801,138</u>	<u>\$ 3,059,994</u>	<u>\$ 4,861,132</u>	<u>\$ 268,607</u>

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

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2021**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 182,022	\$ 14,320	\$ 23,386	\$ 3,457
Public safety	322,937	2,576	2,120	21,843
Parks	31,883	-	31,679	-
Public services and operations	33,565	36,472	-	-
Public works	244,766	-	-	-
Interest on long-term debt	19,847	-	-	-
Total Governmental Activities	<u>835,020</u>	<u>53,368</u>	<u>57,185</u>	<u>25,300</u>
Business-type activities:				
Utility services	891,465	886,269	-	-
Total Business-type Activities	<u>891,465</u>	<u>886,269</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>1,726,485</u>	<u>939,637</u>	<u>57,185</u>	<u>25,300</u>
Component unit:				
Economic Development Corporation	86,221	-	11,583	-
Total Component Unit	<u>\$ 86,221</u>	<u>\$ -</u>	<u>\$ 11,583</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
Prior Period Adjustment
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
\$ (140,859)	\$ -	\$ (140,859)	\$ -
(296,398)	-	(296,398)	-
(204)	-	(204)	-
2,907	-	2,907	-
(244,766)	-	(244,766)	-
(19,847)	-	(19,847)	-
<u>(699,167)</u>	<u>-</u>	<u>(699,167)</u>	<u>-</u>
-	(5,196)	(5,196)	-
-	(5,196)	(5,196)	-
<u>(699,167)</u>	<u>(5,196)</u>	<u>(704,363)</u>	<u>-</u>
-	-	-	(74,638)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,638)</u>
\$ 455,878	\$ -	\$ 455,878	\$ -
429,240	-	429,240	108,640
70,057	-	70,057	-
183	462	645	-
7,215	10,712	17,927	15,133
(2,545)	2,545	-	-
<u>960,028</u>	<u>13,719</u>	<u>973,747</u>	<u>123,773</u>
260,861	8,523	269,384	49,135
2,070,007	2,521,741	4,591,748	219,472
(529,730)	529,730	-	-
<u>\$ 1,801,138</u>	<u>\$ 3,059,994</u>	<u>\$ 4,861,132</u>	<u>\$ 268,607</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, 2021**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 815,166
Receivables (net of allowance for uncollectibles)	83,457
Restricted - cash and cash equivalents	33,939
Total Assets	<u>932,562</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Other liabilities	190,402
Total Liabilities	<u>195,759</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	17,967
Parks	7,998
Police	7,974
Unassigned	678,477
Total Fund Balances	<u>712,416</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 932,562</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, 2021**

Total fund balances - governmental funds balance sheet	\$ 712,416
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.	3,945,995
Accumulated depreciation is not included in the governmental fund financial statements.	(2,001,562)
Bonds payable and contractual obligations are not included in the governmental fund financial statements.	(836,407)
Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	24,387
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	6,990
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(25,718)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(24,963)
Net position of governmental activities - statement of net position	<u>\$ 1,801,138</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, 2021**

	General Fund
REVENUE	
Taxes:	
Property taxes, including P&I	\$ 455,878
Sales tax collected	429,240
Franchise taxes	70,057
Fines and forfeitures	35,682
Charges for services	17,686
Grants and contributions	25,300
Donations	57,185
Investment income	183
Miscellaneous	7,215
Total Revenues	<u>1,098,426</u>
EXPENDITURES	
Current:	
General government	187,691
Public safety	318,468
Public works	183,469
Public services and operations	32,863
Capital outlay:	
Public safety	13,630
Public works	24,438
Parks and recreation	331,925
Debt service:	
Installment payments	54,900
Interest and fiscal agent fees	19,383
Total Expenditures	<u>1,166,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,341)</u>
OTHER FINANCING SOURCES (USES)	
Bond and Note proceeds	300,000
Transfers	(2,545)
Total Other Financing Sources (uses)	<u>297,455</u>
Net Change in Fund Balances	229,114
Fund Balance, October 1	483,302
Prior Period Adjustment	-
Fund Balance, September 30	<u><u>\$ 712,416</u></u>

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, 2021**

Net change in fund balances - total governmental funds \$ 229,114

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. 369,993

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. (114,975)

Current year note proceeds are other finance sources in the fund financial statements but are shown as an increase in the government-wide liabilities section of the financial statements. (300,000)

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. 54,900

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. 17,865

Current year changes in pension expense do not require the use of current resources; therefore, are not reported as expenditures in governmental funds. 3,964

Change in net position of governmental activities - statement of activities \$ 260,861

**CITY OF EDGEWOOD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021**

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 133,879
Receivables (net of allowance for uncollectible)	57,462
Total current assets	191,341
Noncurrent assets:	
Restricted cash and cash equivalents	1,540,269
Capital assets:	
Land	6,000
Construction in progress	27,031
Buildings	319,590
Infrastructure	8,268,754
Machinery & equipment	208,778
Less: accumulated depreciation	(5,721,733)
Total capital assets (net of accumulated depreciation)	3,108,420
Total Assets	4,840,030
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow - pension	16,930
Deferred outflow - OPEB	4,106
Total Deferred Outflows	21,036
LIABILITIES	
Current liabilities:	
Accounts payable	13,897
Customer deposits - restricted assets	80,612
Other liabilities	109
Compensated absences-current	7,356
Notes payable - current	15,952
Certificates of obligation - current	83,750
Total current liabilities	206,414
Non-current liabilities:	
Net pension liability	20,411
Net OPEB liability	19,614
Notes payable	61,967
Certificates of obligation payable	1,477,145
Total non-current liabilities	1,579,137
Total Liabilities	1,785,551
DEFERRED INFLOW OF RESOURCES	
Deferred inflow - pension	14,722
Deferred inflow - OPEB	799
Total Deferred Inflows	15,521
NET POSITION	
Net investment in capital assets	1,469,606
Restricted for:	
Debt service	125,146
Unrestricted	50,119
Total net position	\$ 3,059,994

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, 2021**

	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 886,269
Miscellaneous	10,712
Total Operating Revenues	<u>896,981</u>
OPERATING EXPENSES	
Administrative services	164,612
Supplies and materials	87,488
Maintenance and repair	107,248
Contractual services	344,459
Depreciation	183,848
Total Operating Expenses	<u>887,655</u>
Operating income (loss)	<u>9,326</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	462
Interest expense	(3,810)
Total Non-Operating Revenues (Expenses)	<u>(3,348)</u>
Net Income(loss) before transfers	5,978
Transfers	<u>2,545</u>
Change in net position	8,523
Total net position-beginning	<u>2,521,741</u>
Prior Period Adjustments	<u>529,730</u>
Total net position-ending	<u>\$ 3,059,994</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, 2021**

	Utility Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 897,735
Cash received from other sources	10,712
Cash paid to employees	(168,560)
Cash paid for goods and services	(2,117)
Net cash provided by (used in) operating activities	<u>737,770</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid	(654,301)
Interest and fiscal charges on debt	(3,810)
Acquisition and construction of capital assets	(30,081)
Cash provided in capital and related financing activities	<u>(688,192)</u>
Cash Flows from Noncapital Financing Activities	
Transfers	2,545
Cash used in noncapital financing activities	<u>2,545</u>
Cash Flows from Investing Activities	
Investment income	462
Cash provided by (used in) investing activities	<u>462</u>
Net Increase (Decrease) in Cash and Cash Equivalents	52,585
Cash and cash equivalents, October 1	1,621,563
Cash and cash equivalents, September 30	<u>\$ 1,674,148</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating income (loss)	\$ 9,326
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	183,848
Change in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	14,306
Increase (decrease) in liabilities:	
Customer deposits	(7,578)
Pension liability	526,563
Total adjustments	<u>728,444</u>
Net cash provided (used) by operating activities	<u>\$ 737,770</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, 2021**

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, 2021**

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, 2021**

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, 2021**

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, 2021**

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, 2021**

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, 2021

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, 2021**

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, 2021**

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, 2021**

C. CASH AND INVESTMENTS

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,523,253 and the bank balance was \$2,759,569. The City's cash deposits at September 30, 2021, and during the year ended September 30, 2021, 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, 2021 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government

Cash and cash equivalents	\$ 949,045
Restricted assets-cash and cash equivalents	1,574,208
Total cash and cash equivalents	<u>2,523,253</u>

Governmental - Restricted Cash

Grant Fund	4,102
Court Tech Fund	3,972
Court Security Fund	3,406
Child Safety Fund	10,589
Police Department Funds	7,975
Veterans Memorial	1,815
Park Funds	2,080
Total Governmental	<u>33,939</u>

Business-type - Restricted Cash

Debt proceeds	1,419,605
Debt Service	120,664
Total Business-type	<u>1,540,269</u>

Total Restricted Cash	<u>\$ 1,574,208</u>
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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, 2021**

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	\$ 95,755	\$ -	\$ 95,755
Fees and charges	59,904	75,968	135,872
Gross Receivables	155,659	75,968	231,627
Less: allowance for uncollectibles	<u>(72,202)</u>	<u>(18,506)</u>	<u>(90,708)</u>
Net Total Receivables	<u>\$ 83,457</u>	<u>\$ 57,462</u>	<u>\$ 140,919</u>

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2021 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	\$ 7,200	\$ -	\$ 758,862
Infrastructure	2,371,254	331,925	-	2,703,179
Equipment & Vehicles	438,021	30,868	-	468,888
Total capital assets, being depreciated	<u>3,560,937</u>	<u>369,993</u>	<u>-</u>	<u>3,930,929</u>
Less accumulated depreciation for:				
Buildings	(652,490)	(12,291)	-	(664,781)
Infrastructure	(877,209)	(84,121)	-	(961,330)
Equipment & Vehicles	(356,881)	(18,564)	-	(375,445)
Total accumulated depreciation	<u>(1,886,580)</u>	<u>(114,976)</u>	<u>-</u>	<u>(2,001,556)</u>
Total capital assets, being depreciated, net	1,674,357	255,017	-	1,929,373
Total Governmental activities capital assets, net	<u>\$ 1,689,417</u>	<u>\$ 255,017</u>	<u>\$ -</u>	<u>\$ 1,944,433</u>

CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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	33,031	-	-	33,031
Capital assets, being depreciated:				
Building & Improvements	319,590	-	-	319,590
Infrastructure	8,238,672	30,081	-	8,268,753
Equipment & Vehicles	208,781	-	-	208,780
Total capital assets, being depreciated	8,767,043	30,081	-	8,797,123
Less accumulated depreciation for:				
Building & Improvements	(307,483)	(965)	-	(308,448)
Infrastructure	(5,076,735)	(174,239)	-	(5,250,974)
Equipment & Vehicles	(153,669)	(8,643)	-	(162,312)
Total accumulated depreciation	(5,537,887)	(183,847)	-	(5,721,734)
Total capital assets, being depreciated, net	3,229,156	(153,766)	-	3,075,389
Total Business-type activities capital assets, net	\$ 3,262,187	\$ (153,766)	\$ -	\$ 3,108,420

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

Governmental activities:	
General Government	\$ 12,660
Fire	3,852
Municipal Court	702
Parks	31,883
Public Safety	617
Public Works	65,262
Total depreciation expense - governmental activities	\$ 114,976
Business-type activities:	
Water and Sewer	\$ 183,847

There was no capitalized interest during the current year.

CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

F. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2021 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	\$ 61,112	\$ 300,000	\$ (28,650)	\$ 332,462	\$ 30,980
Certificates of Obligation	-	529,730	(25,786)	503,944	26,250
Governmental Activity Long-term Debt	\$ 61,112	\$ 829,730	\$ (54,436)	\$ 836,406	\$ 57,230
Business-type Activities					
Certificates of Obligation	2,173,514	-	(612,619)	1,560,895	83,750
Total Bonds Payable	2,173,514	-	(612,619)	1,560,895	83,750
Notes Payable	119,600	-	(41,681)	77,919	15,952
Governmental Activity Long-term Debt	\$ 2,293,114	\$ -	\$ (654,300)	\$ 1,638,814	\$ 99,702

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>2020</u>	<u>Issued</u>	<u>Retired</u>	<u>2021</u>	
FNB (34%)	3.50%	80,000	48,076	-	(7,953)	40,123	8,218
Citizens First Bank	3.50%	31,660	13,036	-	(6,392)	6,644	6,644
FSB Park Loan	3.375%	300,000	-	300,000	(14,305)	285,695	16,118
Series 2020 CO	0.00% to 1.410%	529,730	-	529,730	(25,786)	503,944	26,250
Governmental Activity long-term debt		\$ 941,390	\$ 61,112	\$ 829,730	\$ (54,436)	\$ 836,406	\$ 57,230

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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%

The City incurred a note payable with First State Bank in the amount of \$300,000 for park iprovements on October 23, 2020. This note is to be repaid over fifteen years with an annual interest rate of 3.375%.

Governmental notes payable requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	57,230	15,597	72,827
2023	50,966	14,539	65,505
2024	51,837	13,425	65,262
2025	52,744	12,475	65,219
2026	49,707	11,459	61,166
Thereafter	573,922	67,141	641,063
Totals	\$ 836,406	\$ 134,636	\$ 971,042

CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 2020	Issued	Retired	Amounts Outstanding 2021	Due Within One Year
Series 2009 CO	0.00%	\$ 835,000	\$ 660,000	\$ -	\$ (35,000)	\$ 625,000	\$ 35,000
Series 2020 CO		983,784	983,784	-	(47,889)	935,895	48,750
Total Bonds Payable		1,818,784	1,643,784	-	(82,889)	1,560,895	83,750
FNB Edgewood	4.50%	40,000	21,242	-	(21,242)	-	-
FNB (66%)	3.50%	155,125	93,323	-	(15,404)	77,919	15,952
Caterpillar Backhoe	3.20%	47,562	5,035	-	(5,035)	-	-
		242,687	119,600	-	(41,681)	77,919	15,952
Business-type long-term debt		\$ 2,061,471	\$ 1,763,384	\$ -	\$ (124,570)	\$ 1,638,814	\$ 99,702

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	102,841	10,256	113,097
2023	98,408	9,688	108,096
2024	99,992	9,071	109,063
2025	100,604	8,351	108,955
2026	93,519	7,535	101,054
Thereafter	1,143,450	-	1,143,450
Totals	\$ 1,638,814	\$ 44,901	\$ 1,683,715

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, 2021**

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	
	2019	2020
Inactive employees or beneficiaries currently receiving benefits	7	8
Inactive employees entitles to but not yet receiving benefits	8	7
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.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

G. PENSION PLAN (Continued)

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2020 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, 2020 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 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.

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, 2021

G. PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 454,717	\$ 409,061	\$ 45,656
Changes for the year:			
Service cost	37,769	-	37,769
Interest	31,432	-	31,432
Change of benefit terms	-	-	-
Difference between expected and actual experience	5,882	-	5,882
Changes of assumptions	-	-	-
Contributions - employer	-	24,010	(24,010)
Contributions - employee	-	19,712	(19,712)
Net investment income	-	31,097	(31,097)
Benefit payments, including refunds of employee contributions	(15,893)	(15,893)	-
Administrative expense	-	(201)	201
Other changes	-	(8)	8
Net changes	59,190	58,717	473
Balance at 12/31/2020	\$ 513,907	\$ 467,778	\$ 46,129

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%
\$ 108,293	\$ 46,129	\$ (6,382)

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

For the year ended September 30, 2021, the City recognized pension expense of \$13,419.

**CITY OF EDGEWOOD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021**

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	<u>11</u>
Total	<u><u>16</u></u>

Changes in the Total OPEB Liability:

Total OPEB Liability - beginning of year	\$ 35,991
Changes for the year:	
Service costs	3,351
Interest on Total OPEB Liability	1,031
Changes in benefit terms	-
Differences between expected and actual experience	(214)
Changes in assumptions or other inputs	4,733
Benefit payments	<u>(315)</u>
Total OPEB Liability - end of year	<u><u>\$ 44,577</u></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	Current	1% Increase
	(1.75%)	Discount Rate	(3.75%)
	(1.75%)	(2.75%)	(3.75%)
Total OPEB Liability	<u>\$ 52,319</u>	<u>\$ 44,577</u>	<u>\$ 38,421</u>

**CITY OF EDGEWOOD, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Deferred (Inflows)/Outflows of Resources:

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	\$ (2,545)		\$ (2,545)
Water and Sewer Fund		2,545	2,545
Net Governmental	<u>\$ (2,545)</u>	<u>\$ 2,545</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, 2021 up through February 14, 2022, 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, 2021**

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>\$ 248,303</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, 2021, EDC deposits with financial institutions were fully covered by FDIC.

b. Receivables

Receivables at fiscal year-end for the EDC were \$20,304 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, 2021 up through February 14, 2022, 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, 2021**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property taxes, including P&I	\$ 476,225	\$ 476,225	\$ 455,878	\$ (20,347)
Franchise taxes	66,000	66,000	70,057	4,057
Sales tax collected	320,000	320,000	429,240	109,240
Fines and forfeitures	45,000	45,000	35,682	(9,318)
Charge for services	10,000	10,000	17,686	7,686
Investment income	-	-	183	183
Grant revenues	-	-	25,300	25,300
Miscellaneous	2,500	2,500	7,215	4,715
Total Revenues	919,725	919,725	1,098,426	178,701
EXPENDITURES				
Current:				
General government	197,952	197,952	187,691	10,261
Public safety	320,693	320,693	318,468	2,225
Public works	294,658	294,658	183,469	111,189
Public services and operations	46,717	46,717	32,863	13,854
Capital outlay:				
Public safety	-	-	13,630	(13,630)
Parks	-	-	331,925	(331,925)
Public works	-	-	24,438	(24,438)
Public services and operations	-	-	-	-
Debt service:				
Installment payments	-	-	54,900	(54,900)
Interest and fiscal agent fees	-	-	19,383	(19,383)
Total Expenditures	860,020	860,020	1,166,767	(306,747)
Excess (deficiency) of revenues (under) expenditures	59,705	59,705	(68,341)	(128,046)
Other Revenues and Financing Sources (Uses)				
Bond proceeds	-	-	300,000	300,000
Transfers	-	-	(2,545)	(2,545)
Total Other Financing Sources (Uses)	-	-	297,455	297,455
Net Change in Fund Balance	59,705	59,705	229,114	169,409
Fund Balances/Equity, October 1	483,302	483,302	483,302	
Fund Balances/Equity, September 30	\$ 543,007	\$ 543,007	\$ 712,416	

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, 2021**

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

	12/31/2018	12/31/2019	12/31/2020		
Actuarially determined contribution	\$ 11,882	\$ 11,118	\$ 21,223		
Contributions in relation to the actuarially determined contribution	\$ 11,882	\$ 11,118	\$ 21,223		
Contributions deficiency (excess)	\$ -	\$ -	\$ -		
Covered employee payroll	\$ 372,204	\$ 386,147	\$ 394,245		
Contributions as a percentage of covered employee payroll	3.19%	2.88%	5.38%		
Actuarially determined contribution	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Contributions in relation to the actuarially determined contribution	\$ 6,568	\$ 7,303	\$ 12,199	\$ 12,198	\$ 13,040
Contributions deficiency (excess)	\$ 6,568	\$ 7,303	\$ 12,199	\$ 12,198	\$ 13,040
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	\$ 196,642	\$ 210,457	\$ 345,578	\$ 345,548	\$ 369,758
	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	19 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% 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 There were no benefit changes during the year.

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, 2021

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

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability							
Service cost	\$ 37,769	\$ 38,190	\$ 25,459	\$ 25,118	\$ 25,504	\$ 14,937	\$ 14,017
Interest (on the Total Pension Liability)	31,432	28,809	26,196	23,889	21,604	21,347	20,254
Changes of benefit terms	-	15,545	-	-	-	-	-
Difference between expected and actual experience	5,882	(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	(15,893)	(23,021)	(13,222)	(21,415)	(8,804)	(30,754)	(9,153)
Net Change in Total Pension Liability	59,190	51,044	21,705	29,913	40,341	(1,157)	25,962
Total Pension Liability - Beginning	454,717	403,673	381,968	352,055	311,714	312,871	286,909
Total Pension Liability - Ending	<u>\$ 513,907</u>	<u>\$ 454,717</u>	<u>\$ 403,673</u>	<u>\$ 381,968</u>	<u>\$ 352,055</u>	<u>\$ 311,714</u>	<u>\$ 312,871</u>
Plan Fiduciary Net Position							
Contribution - employer	\$ 24,010	\$ 11,700	\$ 12,320	\$ 15,071	\$ 12,204	\$ 8,101	\$ 7,400
Contribution - employee	19,712	19,307	18,610	17,814	17,279	10,919	10,662
Net investment income	31,097	53,816	(10,202)	40,067	16,998	388	13,762
Benefit payments, including refunds of employee contributions	(15,893)	(23,021)	(13,222)	(21,415)	(8,804)	(30,755)	(9,153)
Administrative expense	(201)	(304)	(196)	(208)	(192)	(236)	(144)
Other	(8)	(9)	(10)	(9)	(10)	(12)	(12)
Net Change in Plan Fiduciary Net Position *	58,717	61,489	7,300	51,320	37,475	(11,595)	22,515
Plan Fiduciary Net Position - Beginning	409,061	347,571	340,271	288,951	251,476	263,071	240,556
Plan Fiduciary Net Position - Ending	<u>\$ 467,778</u>	<u>\$ 409,060</u>	<u>\$ 347,571</u>	<u>\$ 340,271</u>	<u>\$ 288,951</u>	<u>\$ 251,476</u>	<u>\$ 263,071</u>
Net Pension Liability - Ending	\$ 46,129	\$ 45,657	\$ 56,102	\$ 41,697	\$ 63,104	\$ 60,238	\$ 49,800
Plan Fiduciary Net Position as a percentage of Total Pension Liability	91.02%	89.96%	86.10%	89.08%	82.08%	80.68%	84.08%
Covered employee payroll	\$ 394,245	\$ 386,147	\$ 372,204	\$ 356,288	\$ 345,578	\$ 218,370	\$ 210,457
Net Pension Liability as a percentage of covered employee payroll	11.70%	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, 2021**

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total OPEB Liability				
Service cost	\$ 3,351	\$ 2,201	\$ 2,233	\$ 1,960
Interest (on the Total OPEB Liability)	1,031	1,096	964	927
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(214)	(372)	(861)	-
Change of assumptions	4,733	4,762	(1,672)	1,814
Benefit payments, including refunds of employee contributions	(315)	(270)	(186)	(285)
Net Change in Total Pension Liability	<u>8,586</u>	<u>7,417</u>	<u>478</u>	<u>4,416</u>
Total OPEB Liability - Beginning	<u>35,991</u>	<u>28,574</u>	<u>28,096</u>	<u>23,680</u>
Total OPEB Liability - Ending	<u><u>\$ 44,577</u></u>	<u><u>\$ 35,991</u></u>	<u><u>\$ 28,574</u></u>	<u><u>\$ 28,096</u></u>
Covered employee payroll	\$ 394,245	\$ 386,147	\$ 372,204	\$ 356,288
Total OPEB Liability as a percentage of covered employee payroll	11.31%	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, 2021**

	EDC Fund
ASSETS	
Cash and cash equivalents	\$ 248,303
Receivables (net of allowance for uncollectibles)	20,304
Total Assets	<u>268,607</u>
FUND BALANCE	
Fund balance	
Unassigned	268,607
Total Fund Balance	<u>268,607</u>
Total Liabilities and Fund Balance	<u>\$ 268,607</u>

**CITY OF EDGEWOOD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2021**

Total fund balances - governmental funds balance sheet	\$ 268,607
There are no reconciling items.	-
Net position of governmental activities - statement of net position	<u><u>\$ 268,607</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, 2021**

	EDC Fund
REVENUE	
Sales tax collected	\$ 108,640
Donations	11,583
Civic center income	15,133
Total Revenues	<u>135,356</u>
EXPENDITURES	
Current:	
General government	48,705
Salaries	37,516
Total Expenditures	<u>86,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,135</u>
Net Change in Fund Balance	49,135
Fund Balance/Equity, October 1	219,472
Fund Balance/Equity, September 30	<u>\$ 268,607</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, 2021**

Net change in fund balances - total governmental funds \$ 49,135

There are no reconciling items. -

Change in net position of governmental activities - statement of activities \$ 49,135