

CITY OF FERRIS, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2019

CITY OF FERRIS, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (unaudited)	4-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Notes to the Financial Statements	21-59
Required Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual - Major Governmental Funds	61
Schedule of Changes in Net Pension Liability and Related Ratios - Texas Municipal Retirement System	62
Schedule of Contributions - Texas Municipal Retirement System	63
Schedule of the City's Proportionate Share of the Net Pension Liability - As Nonemployer Contributing Entity - Texas Emergency Services Retirement System	64
Schedule of the City's Contributions - As Nonemployer Contributing Entity - Texas Emergency Services Retirement System	65

CITY OF FERRIS, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2019

TABLE OF CONTENTS (continued)

	<u>PAGE</u>
Schedule of the Changes in Total OPEB Liability and Related Ratios	66
 Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	69
Combining Balance Sheet – Nonmajor Special Revenue Funds	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	71
Schedule of Revenues and Expenditures – Budget and Actual - Debt Service Fund	72
Schedule of Revenues and Expenses - Budget and Actual – Enterprise Fund – Water and Wastewater	74
 Component Unit Financial Statements:	
Balance Sheet - General Fund - Component Units	76
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund - Component Units	77
 Supplementary Financial Data:	
Schedule of Cash Balances – All Funds	79
Combined Schedule of Bonded Debt – All Funds	80
Debt Requirements to Maturity:	
Combination Tax and Revenue Certificates of Obligation – Series 2006	81
Tax and Waterworks and Sewer Systems Revenue Certificates of Obligation – Series 2011	82



YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Brandon Diviney, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Council and City Manager
City of Ferris, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ferris, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability information, and OPEB information on pages 4-11 and 61-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ferris, Texas' basic financial statements. The combining and individual fund financial statements and schedules, component unit financial statements, and supplementary financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor, City Council and City Manager
City of Ferris, Texas
Page Three

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

The supplementary financial data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in blue ink that reads "YWRD, P.C.".

YWRD, P.C.
Certified Public Accountants

Ennis, Texas
August 13, 2020

CITY OF FERRIS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Ferris, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,488,806 (net position). Of this amount, \$2,417,678 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$309,050.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,127,002, an increase of \$579,545 in comparison with the prior year. Approximately 98% of this amount (\$2,083,088) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,083,088 or 58% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are 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) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, cultural and recreational, and public works (streets). The business-type activities of the City include water and wastewater operations.

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

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is considered to be a major fund. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its water and wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-59 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on page 61-66 of this report.

This report also presents combining and individual fund financial statements and schedules in connection with the nonmajor governmental funds and water and wastewater fund. These combining and individual fund financial statements and schedules can be found on pages 68-74 of this report.

In addition, this report presents fund financial statements and schedules in connection with the Ferris 4A Economic Development Corporation, Ferris 4B Economic Development Corporation, and Ferris Public Improvement District No. 1. The individual fund financial statement and schedule can be found on pages 76-77 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,488,806, at the close of the most recent fiscal year.

CITY OF FERRIS' NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,513,334	\$ 1,945,188	\$ 852,015	\$ 756,808	\$ 3,365,349	\$ 2,701,996
Capital assets	6,609,991	7,190,558	2,683,343	2,514,266	9,293,334	9,704,824
Total assets	9,123,325	9,135,746	3,535,358	3,271,074	12,658,683	12,406,820
Deferred outflows of resources	242,672	107,739	35,222	10,802	277,894	118,541
Long-term liabilities	1,297,422	1,372,194	486,677	458,384	1,784,099	1,830,578
Other liabilities	254,875	209,028	374,931	134,397	629,806	343,425
Total liabilities	1,552,297	1,581,222	861,608	592,781	2,413,905	2,174,003
Deferred inflows of resources	29,858	149,400	4,008	22,202	33,866	171,602
Net position:						
Net investment in capital assets	5,772,144	6,017,019	2,255,070	2,074,266	8,027,214	8,091,285
Restricted	43,914	100,720	-	-	43,914	100,720
Unrestricted	1,967,784	1,395,124	449,894	592,627	2,417,678	1,987,751
Total net position	\$ 7,783,842	\$ 7,512,863	\$ 2,704,964	\$ 2,666,893	\$ 10,488,806	\$ 10,179,756

By far, the largest portion of the City's net position (77%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (.42%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$2,417,678 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's overall net position increased \$309,050 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF FERRIS' CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 676,376	\$ 457,170	\$ 1,445,362	\$ 1,407,371	\$ 2,121,738	\$ 1,864,541
Operating grants and contributions	61,173	135,522	-	-	61,173	135,522
Capital grants and contributions	16,155	254,619	247,245	21,400	263,400	276,019
General revenues:						
Property taxes	1,027,239	857,275	-	-	1,027,239	857,275
Sales taxes	316,963	282,070	-	-	316,963	282,070
Franchise taxes	139,499	127,920	-	-	139,499	127,920
Alcoholic beverage taxes	1,171	1,708	-	-	1,171	1,708
Host fees	1,790,553	1,492,125	-	-	1,790,553	1,492,125
Gas royalty	131,972	166,455	-	-	131,972	166,455
Investment earnings	9,524	7,265	467	491	9,991	7,756
Gain on sale of capital assets	-	-	4,639	-	4,639	-
Miscellaneous	50,218	53,769	2,592	-	52,810	53,769
Total revenues	<u>4,220,843</u>	<u>3,835,898</u>	<u>1,700,305</u>	<u>1,429,262</u>	<u>5,921,148</u>	<u>5,265,160</u>
Expenses:						
General government	1,090,842	1,128,110	-	-	1,090,842	1,128,110
Public safety	2,132,373	1,873,826	-	-	2,132,373	1,873,826
Cultural and recreational	359,348	370,695	-	-	359,348	370,695
Public works	405,678	328,594	-	-	405,678	328,594
Interest on long-term debt	57,623	59,777	-	-	57,623	59,777
Water and wastewater	-	-	1,566,234	1,306,890	1,566,234	1,306,890
Total expenses	<u>4,045,864</u>	<u>3,761,002</u>	<u>1,566,234</u>	<u>1,306,890</u>	<u>5,612,098</u>	<u>5,067,892</u>
Increase in net position before transfers	174,979	74,896	134,071	122,372	309,050	197,268
Transfers	96,000	89,149	(96,000)	(89,149)	-	-
Increase in net position	<u>270,979</u>	<u>164,045</u>	<u>38,071</u>	<u>33,223</u>	<u>309,050</u>	<u>197,268</u>
Net position - beginning	7,512,863	7,348,818	2,666,893	2,633,670	10,179,756	9,982,488
Net position - ending	<u>\$ 7,783,842</u>	<u>\$ 7,512,863</u>	<u>\$ 2,704,964</u>	<u>\$ 2,666,893</u>	<u>\$ 10,488,806</u>	<u>\$ 10,179,756</u>

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$270,979 from the prior fiscal year for an ending balance of \$7,783,842.

- Governmental activities charges for service increased \$219,206 (47.95%) during the year. The majority of this increase is the product of developer fees.
- Property taxes increased \$169,964 (19.83%) during the year. The majority of this increase is the product of increased property tax values.
- Public safety expenses increased \$258,547 (13.80%) during the year. The majority of this increase is the product of increased wages and retirement expenses.

Business-type Activities. For the City's business-type activities, the current fiscal year resulted in a net increase in net position to an ending balance of \$2,704,964. The total increase in net position for business-type activities (water and wastewater operations) was \$38,071 from the prior fiscal year. Revenues from charges for services increased 2.7% (\$37,991) due to an increase in the number of customers and rates. Capital contributions increased \$225,845. Total expenses increased 19.84% (\$259,344) in the current fiscal year primarily due to an increase in repairs and maintenance.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At September 30, 2019, the City's governmental funds reported combined fund balances of \$2,127,002, an increase of \$579,545 in comparison with the prior year. Approximately 97.9% of this amount (\$2,083,088) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remaining \$43,914 is restricted by specific legal requirements.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,083,088, while total fund balance increased to \$2,083,956. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General fund expenditures. Unassigned fund balance represents approximately 58.49% of total General fund expenditures, while total fund balance represents approximately 58.52% of that same amount.

The fund balance of the City's General fund increased \$635,938 during the current fiscal year.

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

Unrestricted net position of the Water and Wastewater fund at the end of the year amounted to \$449,894. Net position increased in 2019 by \$38,071. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights

Final budget compared to actual results. General fund actual revenues of \$3,680,056 exceeded budgeted revenues of \$3,305,572 by \$374,484.

Budgeted general fund expenditures of \$3,407,383 exceeded actual expenditures of \$3,386,136 by \$21,247. This positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019 amounts to \$9,293,334 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. The total decrease in capital assets for the current fiscal year was approximately 4.24%.

City of Ferris' Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 432,313	\$ 603,047	\$ 27,817	\$ 27,817	\$ 460,130	\$ 630,864
Construction in progress	22,698	-	351,837	48,690	374,535	48,690
Buildings	1,083,063	1,141,695	30,409	36,117	1,113,472	1,177,812
Improvements	113,540	116,360	2,149,821	2,305,543	2,263,361	2,421,903
Machinery and equipment	378,217	507,998	123,459	96,099	501,676	604,097
Infrastructure	4,580,160	4,821,458	-	-	4,580,160	4,821,458
Total	\$ 6,609,991	\$ 7,190,558	\$ 2,683,343	\$ 2,514,266	\$ 9,293,334	\$ 9,704,824

Major capital asset events during the current fiscal year included the following:

- Land disposals of approximately \$171,000.
- Machinery and equipment purchases of approximately \$91,000.
- Construction in progress additions of approximately \$325,845.

Additional information on the City's capital assets can be found in note 2.D on pages 33-34 of this report.

Long-term debt. At the end of the current fiscal year, the City had a total bonded debt of \$1,200,000. This amount is backed by the full faith and credit of the government.

City of Ferris' Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Certificates of obligation	\$ 805,000	\$ 905,000	\$ 395,000	\$ 440,000	\$ 1,200,000	\$ 1,345,000
Tax and revenue refunding bonds	-	265,000	-	-	-	265,000
Total	\$ 805,000	\$ 1,170,000	\$ 395,000	\$ 440,000	\$ 1,200,000	\$ 1,610,000

Additional information on the City of Ferris' long term-debt can be found in note 2.H on pages 39-42 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2019-20 Budget, General Fund budgeted revenues increased 4.85% from the 2018-19 budget year with host fees and property taxes making up 41.96% and 24.76% of general fund budgeted revenues, respectively.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 100 Town Plaza, Ferris, Texas 75125.

CITY OF FERRIS, TEXAS
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Ferris 4A Economic Development Corporation	Ferris 4B Economic Development Corporation	Ferris Public Improvement District No.1
ASSETS						
Cash and cash equivalents	\$ 1,924,276	\$ 281,703	\$ 2,205,979	\$ 568,038	\$ 409,226	\$ 1,981,855
Receivables (net of allowance for uncollectibles)	756,102	140,325	896,427	-	-	-
Internal balances	(182,742)	182,742	-	-	-	-
Economic development agreement receivable	-	-	-	130,000	-	-
Due from primary government	-	-	-	4,652	6,825	-
Due from component unit	15,698	-	15,698	-	-	-
Due from other governments	-	247,245	247,245	-	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	63,606	-	310,716
Capital assets:						
Non-depreciable	455,011	379,654	834,665	948,199	-	3,111,299
Depreciable (net of accumulated depreciation)	6,154,980	2,303,689	8,458,669	766	-	-
Total Assets	9,123,325	3,535,358	12,658,683	1,715,261	416,051	5,403,870
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows of resources	240,139	34,847	274,986	-	-	-
OPEB related deferred outflows of resources	2,533	375	2,908	-	-	-
Total Deferred Outflows of Resources	242,672	35,222	277,894	-	-	-
LIABILITIES						
Accounts payable and other current liabilities	189,909	287,234	477,143	-	-	566,213
Accrued payroll payable	50,319	7,610	57,929	-	-	-
Accrued interest payable	3,170	2,801	5,971	9,593	-	19,485
Due to primary government	-	-	-	-	-	15,698
Due to component units	11,477	-	11,477	-	-	-
Customer deposits payable	-	77,286	77,286	-	-	-
Developer deposit payable	-	-	-	-	-	1,227,017
Noncurrent liabilities:						
Due within one year	185,857	72,172	258,029	23,960	-	60,000
Due in more than one year	1,111,565	414,505	1,526,070	705,758	-	4,027,638
Total Liabilities	1,552,297	861,608	2,413,905	739,311	-	5,916,051
DEFERRED INFLOWS OF RESOURCES						
Pension related deferred inflows of resources	23,096	2,980	26,076	-	-	-
OPEB related deferred inflows of resources	6,762	1,028	7,790	-	-	-
Total Deferred Inflows of Resources	29,858	4,008	33,866	-	-	-
NET POSITION						
Net investment in capital assets	5,772,144	2,255,070	8,027,214	219,247	-	-
Restricted for:						
Debt service	2,695	-	2,695	63,606	-	310,716
Economic development	-	-	-	693,097	416,051	-
Public safety	41,219	-	41,219	-	-	-
Unrestricted	1,967,784	449,894	2,417,678	-	-	(822,897)
Total Net Position	\$ 7,783,842	\$ 2,704,964	\$10,488,806	\$ 975,950	\$ 416,051	\$ (512,181)

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

CITY OF FERRIS, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2019

		Net (Expense) Revenue and Changes in Net Position						
		Primary Government			Component Units			
		Program Revenues		Business-type Activities	Total	Ferris 4A		
Function/Program Activities		Charges for Services	Operating Grants and Contributions			Governmental Activities	Economic Development Corporation	Ferris Public Improvement District No. 1
Expenditures								
Primary government:								
Governmental activities:								
Public safety		\$ 1,090,842	\$ 247,716	\$ 54,513	\$ -	\$ (788,613)	\$ -	\$ -
Cultural and recreational		2,132,373	428,660	6,431	-	(1,697,282)	-	-
Public works		359,348	-	229	16,155	(342,964)	-	-
Interest on long-term debt		405,678	-	-	-	(405,678)	-	-
Total governmental activities		57,623	-	-	(57,623)	-	-	-
		4,045,864	676,376	61,173	16,155	(3,292,160)	-	-
Business-type activities:								
Water and wastewater		1,566,234	1,445,362	-	247,245	-	126,373	126,373
Total business-type activities		1,566,234	1,445,362	-	247,245	-	126,373	126,373
Total primary government		\$ 5,612,098	\$ 2,121,738	\$ 61,173	\$ 263,400	(3,292,160)	(3,165,787)	-
Component Units								
Ferris 4A Economic Development Corporation		\$ 76,231	\$ -	\$ -	\$ 120,141	-	43,910	-
Ferris 4B Economic Development Corporation		60,326	-	-	-	-	(60,326)	-
Ferris Public Improvements District No. 1		563,621	-	5,000	-	-	-	(558,621)
Total component units		\$ 700,178	\$ -	\$ 5,000	\$ 120,141	-	43,910	(558,621)
General revenues:								
Property taxes		-	-	-	-	1,027,239	-	-
Sales taxes		-	-	-	-	316,963	-	-
Franchise taxes		-	-	-	-	139,499	-	-
Alcoholic beverage taxes		-	-	-	-	1,171	-	-
Host fees		-	-	-	-	1,790,553	-	-
Gas royalty		-	-	-	-	131,972	-	-
Investment earnings		-	-	-	-	467	-	-
Gain on disposal of capital asset		-	-	-	-	4,639	1,142	-
Miscellaneous		-	-	-	-	2,592	10,388	-
Transfers		-	-	-	-	50,218	-	-
		-	-	-	-	96,000	-	-
Total general revenues and transfers		3,563,139	(88,302)	3,474,837	3,474,837	170,012	159,167	46,440
Change in net position		270,979	38,071	309,050	309,050	213,922	98,841	(512,181)
Net position - beginning		7,512,863	2,666,893	10,179,756	762,028	762,028	317,210	-
Net position - ending		\$ 7,783,842	\$ 2,704,964	\$ 10,488,806	\$ 975,950	\$ 975,950	\$ 416,051	\$ (512,181)

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

CITY OF FERRIS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,857,687	\$ 66,589	\$ 1,924,276
Receivables (net of allowance for uncollectibles)	756,102	-	756,102
Due from other funds	31,614	8,499	40,113
Due from component unit	15,698	-	15,698
Total assets	<u>\$ 2,661,101</u>	<u>\$ 75,088</u>	<u>\$ 2,736,189</u>
LIABILITIES			
Accounts payable	\$ 189,481	\$ 428	\$ 189,909
Accrued payroll payable	50,319	-	50,319
Due to other funds	191,241	31,614	222,855
Due to component units	11,477	-	11,477
Total liabilities	<u>442,518</u>	<u>32,042</u>	<u>474,560</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	33,554	-	33,554
Unavailable revenue - gas royalty	101,073	-	101,073
Total deferred inflows of resources	<u>134,627</u>	<u>-</u>	<u>134,627</u>
FUND BALANCES			
Restricted:			
Debt service	-	2,695	2,695
Public safety	868	40,351	41,219
Unassigned	2,083,088	-	2,083,088
Total fund balances	<u>2,083,956</u>	<u>43,046</u>	<u>2,127,002</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,661,101</u>	<u>\$ 75,088</u>	<u>\$ 2,736,189</u>

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

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

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances - governmental funds (page 14)		\$ 2,127,002
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,609,991
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		134,627
Net pension asset and deferred outflows of resources are not reported in the governmental funds:		
Deferred outflows of resources related to pensions	\$ 240,139	
Deferred outflows of resources related to OPEB	<u>2,533</u>	242,672
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(3,170)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Due within one year	(185,857)	
Due in more than one year	<u>(1,111,565)</u>	(1,297,422)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred inflows of resources related to pensions	(23,096)	
Deferred inflows of resources related to OPEB	<u>(6,762)</u>	(29,858)
Net position of governmental activities (page 12)		<u><u>\$ 7,783,842</u></u>

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

CITY OF FERRIS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 803,140	\$ 220,644	\$ 1,023,784
Sales taxes	316,963	-	316,963
Franchise taxes	139,499	-	139,499
Alcoholic beverage taxes	1,171	-	1,171
Licenses and permits	247,716	-	247,716
Fines and forfeitures	411,216	17,444	428,660
Host fee	1,790,553	-	1,790,553
Gas royalty	158,996	-	158,996
Revenues from use of money and property	9,375	149	9,524
Other	50,218	-	50,218
Intergovernmental	57,010	-	57,010
Contributions and donations	4,163	-	4,163
Total revenues	<u>3,990,020</u>	<u>238,237</u>	<u>4,228,257</u>
EXPENDITURES			
Current:			
General government	985,071	-	985,071
Public safety	1,986,470	16,464	2,002,934
Cultural and recreational	209,480	-	209,480
Public works	244,749	-	244,749
Debt service:			
Principal retirement	100,000	271,614	371,614
Interest and fiscal charges	35,425	4,916	40,341
Total expenditures	<u>3,561,195</u>	<u>292,994</u>	<u>3,854,189</u>
Excess (deficiency) of revenues over (under) expenditures	<u>428,825</u>	<u>(54,757)</u>	<u>374,068</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	97,636	-	97,636
Transfers out	-	(1,636)	(1,636)
Note issued	18,024	-	18,024
Insurance proceeds	40,318	-	40,318
Proceeds from sale of capital assets	51,135	-	51,135
Total other financing sources (uses)	<u>207,113</u>	<u>(1,636)</u>	<u>205,477</u>
Net change in fund balances	635,938	(56,393)	579,545
Fund balances - beginning	<u>1,448,018</u>	<u>99,439</u>	<u>1,547,457</u>
Fund balances - ending	<u>\$ 2,083,956</u>	<u>\$ 43,046</u>	<u>\$ 2,127,002</u>

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

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

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net Change in Fund Balances - total governmental funds (page 16)		\$ 579,545
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		74,649
The net effect of various miscellaneous transactions involving capital assets (i.e., asset retirements/disposals) is to decrease net position.		(170,734)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(484,482)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Note issued	\$ (19,063)	
Bond principal retirement	365,000	
Amortization of bond premiums/discounts	2,751	
Amortization of bond refunding losses	(19,606)	
Note payable retirement	<u>6,610</u>	335,692
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		615
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(23,568)
Pension and OPEB contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension amounts.		
Deferred outflows/inflows of resources related to pension	285,920	
Deferred outflows/inflows of resources related to OPEB	<u>(11,839)</u>	274,081
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(10,423)	
Net pension liability/asset	(305,978)	
OPEB liability	<u>1,582</u>	(314,819)
Change in net position of governmental activities (page 13)		<u>\$ 270,979</u>

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

CITY OF FERRIS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2019

	Business-type Activities - Enterprise (Water and Wastewater) Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 281,703
Receivables (net of allowance for uncollectibles)	140,325
Due from other governments	247,245
Due from other funds	182,742
Total current assets	<u>852,015</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	2,683,343
Total noncurrent assets	<u>2,683,343</u>
Total assets	<u>3,535,358</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pension	34,847
Deferred outflows of resources related to OPEB	375
Total deferred outflows of resources	<u>35,222</u>
LIABILITIES	
Current liabilities:	
Accounts payable	287,234
Accrued payroll payable	7,610
Accrued interest payable	2,801
Compensated absences	5,868
Customer deposits payable	77,286
Note payable	16,304
Bonds payable	50,000
Total current liabilities	<u>447,103</u>
Noncurrent liabilities:	
Net pension liability	38,845
OPEB liability	13,691
Note payable	16,969
Bonds payable	345,000
Total noncurrent liabilities	<u>414,505</u>
Total liabilities	<u>861,608</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension	2,980
Deferred inflows of resources related to OPEB	1,028
Total deferred inflows of resources	<u>4,008</u>
NET POSITION	
Net investment in capital assets	2,255,070
Unrestricted	449,894
Total net position	<u>\$ 2,704,964</u>

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

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

	Business-type Activities - Enterprise (Water and Wastewater) Fund
OPERATING REVENUES	
Water sales	\$ 682,185
Wastewater service	557,943
Miscellaneous	205,234
Total operating revenues	<u>1,445,362</u>
OPERATING EXPENSES	
Water and wastewater	1,356,584
Depreciation	189,252
Total operating expenses	<u>1,545,836</u>
Operating income (loss)	<u>(100,474)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	467
Insurance proceeds	2,592
Gain on sale of assets	4,639
Interest and fiscal charges	(20,398)
Total nonoperating revenue (expenses)	<u>(12,700)</u>
Income (loss) before transfers and contributions	(113,174)
Capital contributions	247,245
Transfer out	<u>(96,000)</u>
Change in net position	38,071
Net position - beginning	2,666,893
Net position - ending	<u><u>\$ 2,704,964</u></u>

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

CITY OF FERRIS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2019

	Business-type Activities - Enterprise (Water and Wastewater) Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,428,970
Payments to suppliers	(1,046,548)
Payments to employees	(324,018)
Net cash provided by (used for) operating activities	<u>58,404</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances to other funds	(182,742)
Transfers to other funds	(96,000)
Insurance proceeds	2,592
Net cash provided by (used for) noncapital financing activities	<u>(276,150)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(46,547)
Proceeds from sale of capital assets	4,639
Principal paid on bond maturities	(45,000)
Interest and fiscal charges paid on bonds	(19,218)
Principal paid on note payable	(17,661)
Net cash provided by (used for) capital and related financing activities	<u>(123,787)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	467
Net cash provided by investing activities	<u>467</u>
Net increase in cash and cash equivalents	(341,066)
Cash and cash equivalents October 1	<u>622,769</u>
Cash and cash equivalents September 30	<u><u>\$ 281,703</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (100,474)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	189,252
(Increase) decrease in accounts receivable	(11,147)
(Increase) decrease in net pension asset	4,861
(Increase) decrease in pension related deferred outflows	(760)
(Increase) decrease in OPEB related deferred outflows	809
Increase (decrease) in accounts payable	(18,026)
Increase (decrease) in accrued payroll payable	2,699
Increase (decrease) in compensated absences	1,409
Increase (decrease) in customer deposits	(5,245)
Increase (decrease) in pension related deferred inflows	(43,585)
Increase (decrease) in net pension liability	38,845
Increase (decrease) in OPEB liability	(234)
Total adjustments	<u>158,878</u>
Net cash provided by (used for) operating activities	<u><u>\$ 58,404</u></u>
Noncash investing, capital and financing activities:	
Capital assets purchased under accounts payable	<u>\$ 259,926</u>
Capital assets purchased under note payable	<u><u>\$ 50,934</u></u>

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

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Ferris, Texas (the "City") is a general law municipality and was incorporated 1874. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Discretely presented component units. The Corporations described below are included in the City's reporting entity because the City appoints the governing body and the Corporations are fiscally dependent on the City. The Corporations are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the City, and they provides services to the citizens of Ferris and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the City, they are reported in separate columns in the financial statements.

The *Ferris 4A Economic Development Corporation* was created under Section 4A of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting entity (continued)

The *Ferris 4B Economic Development Corporation* was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.

The *Ferris Public Improvement District No. 1* was created under Chapter 372 of the Texas Local Government Code. This District was created for the acquisition, construction, and development of public improvements to include roads, drainage and storm water control system, sanitary sewage collection system, water supply and distribution system, other improvements and costs associated the development and financing of these improvements. The District is managed by a third party administrator appointed by the City Council and can be terminated by the City Council at its will. The nature and significance of the relationship between the primary government and the District is such that exclusion would cause the City's financial statements to be misleading. To emphasize that the District is legally separate from the City, it is reported in a separate column in the financial statements.

Separate financial statements for the component units are not issued.

C. Basis of presentation - government-wide financial statements

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

As discussed earlier, the City has discretely presented component units. The Ferris 4A Economic Development Corporation, Ferris 4B Economic Development Corporation, and Ferris Public Improvement District No. 1 are considered to be major component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer 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 FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation - fund financial statements

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The *water and wastewater fund* accounts for the activities of the City's water distribution and wastewater collection system.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

E. Measurement focus and basis of accounting

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

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

2. Receivables and Allowances for Doubtful Accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. All past due trade accounts receivables comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

3. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	45
Improvements	25
Machinery and equipment	3-6
Infrastructure	25

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plan and OPEB plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, and (3) a deferred outflow of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit plan. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 1.57 years. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. Deferred outflows of resources for the difference between expected and actual experience data is attributed to pension expense over a total of 5 years. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for (1) a deferred inflow of resources related to changes in actuarial assumptions of the City's OPEB plan, and (2) a deferred inflow of resources for the difference between expected and actual experience data used by the actuary for the pension and OPEB plans. Deferred inflows for changes in actuarial assumptions is attributed to OPEB expense over a total of 4.97 years. The deferred inflow of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 2.59 years, including the current year, and OPEB expense over a total of 4.97 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes and gas royalties is reported in the governmental funds balance sheet.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. Long-term obligations

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

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

6. Net position flow assumption

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

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.

7. Fund balance flow assumption

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Councils). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

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.

In the general fund, the City's underlying and overriding financial reserve strategy is to maintain the unassigned fund balance at a level of 20% of annual operating expenditures, excluding capital expenditures.

G. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

3. *Compensated absences*

The City's policy permits employees to accumulate earned but unused vacation pay benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

4. *Proprietary funds operating and nonoperating revenues and expenses*

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

5. *Pensions and Other Post Employment Benefits (OPEB)*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System and the Texas Emergency Services Retirement System (Systems) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. For example, changes in the TOL resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in OPEB expense immediately. Changes in the TOL that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the City's bank balance was \$2,374,345. Of the bank balance, \$421,258 was covered by federal depository insurance and the remaining balance, \$1,953,088 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$2,496,000.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments

Investments. Public funds of the City of Ferris may be invested in the following: (1) obligations of the United States of America, its agencies and instrumentalities, (2) direct obligations of the State of Texas and agencies thereof, (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas and United States of America, (4) obligations of the States, agencies thereof, Counties, Cities and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than “A” or its equivalent; (5) certificates of deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in 1 through 4 above, (6) fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, and (7) joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and water and wastewater funds in the aggregate, including the applicable allowances for uncollectible accounts:

Receivables:	General	Water and Wastewater	Total
Taxes	\$ 167,099	\$ -	\$ 167,099
Accounts	-	191,836	191,836
Other	608,056	-	608,056
Gross receivables	775,155	191,836	966,991
Less: allowance for uncollectibles	(19,053)	(51,511)	(70,564)
Net receivables	<u>\$ 756,102</u>	<u>\$ 140,325</u>	<u>\$ 896,427</u>

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Capital assets

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 603,047	\$ -	\$ (170,734)	\$ 432,313
Construction in progress	-	22,698	-	22,698
Total capital assets not being depreciated	603,047	22,698	(170,734)	455,011
Capital assets being depreciated:				
Buildings	1,928,925	-	-	1,928,925
Improvements	179,170	16,155	-	195,325
Machinery and equipment	2,017,553	35,796	-	2,053,349
Infrastructure	7,773,439	-	-	7,773,439
Totals capital assets being depreciated	11,899,087	51,951	-	11,951,038
Less accumulated depreciation for:				
Buildings	(787,230)	(58,632)	-	(845,862)
Improvements	(62,810)	(18,975)	-	(81,785)
Machinery and equipment	(1,509,555)	(165,577)	-	(1,675,132)
Infrastructure	(2,951,981)	(241,298)	-	(3,193,279)
Total accumulated depreciation	(5,311,576)	(484,482)	-	(5,796,058)
Total capital assets, being depreciated, net	6,587,511	(432,531)	-	6,154,980
Governmental activities capital assets, net	<u>\$ 7,190,558</u>	<u>\$ (409,833)</u>	<u>\$ (170,734)</u>	<u>\$ 6,609,991</u>

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

Governmental activities:

General government	\$ 21,760
Public safety	137,676
Cultural and recreational	148,221
Public works	176,825
Total depreciation expense - governmental activities	<u>\$ 484,482</u>

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Capital assets (continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 27,817	\$ -	\$ -	\$ 27,817
Construction in progress	48,690	303,147	-	351,837
Total capital assets not being depreciated	76,507	303,147	-	379,654
Capital assets being depreciated:				
Buildings	179,276	-	-	179,276
Improvements	5,949,258	-	-	5,949,258
Machinery and equipment	352,561	55,182	(2,110)	405,633
Total capital assets being depreciated	6,481,095	55,182	(2,110)	6,534,167
Less accumulated depreciation for:				
Buildings	(143,159)	(5,708)	-	(148,867)
Improvements	(3,643,715)	(155,722)	-	(3,799,437)
Machinery and equipment	(256,462)	(27,822)	2,110	(282,174)
Total accumulated depreciation	(4,043,336)	(189,252)	2,110	(4,230,478)
Total capital assets, being depreciated, net	2,437,759	(134,070)	-	2,303,689
Business-type capital assets, net	<u>\$ 2,514,266</u>	<u>\$ 169,077</u>	<u>\$ -</u>	<u>\$ 2,683,343</u>

As of September 30, 2019, the City has active construction projects for water improvements. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining commitment</u>
Water improvements	<u>\$ 308,615</u>	<u>\$ 159,138</u>

E. Significant commitments

The City has entered into a contract with the Trinity River Authority of Texas (Authority) – Ten Mile Regional Wastewater System to obtain wastewater treatment services, expiring in 2036. In the contract, the Authority agreed to acquire and construct a regional wastewater treatment system to serve the City and other contractual parties, in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and located in Ellis and Dallas Counties, Texas. The Trinity River Authority is a governmental agency, which is controlled by directors appointed by the governor.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Significant commitments (continued)

The City is responsible for a proportionate share of the system's annual operation, maintenance and debt service costs for the term of the contract. These costs are determined annually and are payable in monthly installments. The estimated future contracted payments due under the contract as of September 30, 2019 are shown below:

<u>Year Ending September 30</u>	<u>Monthly</u>	<u>Annual</u>
2020	\$ 26,787	\$ 321,444
2021	26,787	321,444
2022	26,787	321,444
2023	26,787	321,444
2024	26,787	321,444
2025-2029	26,787	1,607,220
2030-2034	26,787	1,607,220
2035-2036	26,787	642,888
	<u>\$ 214,296</u>	<u>\$ 5,464,548</u>

Expenses incurred for the year ended September 30, 2019 were \$276,797. The payments to be received from the City of Ferris, Texas are used as collateral for the bonds issued by TRA to construct the facility.

The City has entered into a contract with the Authority whereby the City acquired the right to purchase .72 million gallons per day (MGD) of water annually from the Authority through its raw water supply contract with Tarrant County Water Control and Improvement District Number One. The contract is for a period of forty years commencing December 1, 1991 and ending November 30, 2031. The Authority is a governmental agency, which is controlled by directors appointed by the governor. The City agreed to pay to the Authority \$60 each month increasing \$1.50 per month each fiscal year for the Authority's costs and expenses of administering the contract. A current schedule of estimated future contractual payments due the Authority is shown below:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 3,672
2021	3,726
2022	3,780
2023	3,834
2024	3,888
2025-2029	20,250
2030-2031	8,478
	<u>\$ 47,628</u>

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Significant commitments (continued)

The City has entered into an agreement with the Authority whereby the Authority will provide inspection, sampling, and analytical services for the City for a period of five years commencing October 1, 2015 and expiring September 30, 2020. Total payment from the City to the Authority will not exceed \$75,000 for the period of this contract and shall not exceed \$15,000 per year.

Complete separate financial statements for the Trinity River Authority may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

The City has entered into a contract with Rockett Special Utility District (the "District") whereby the District agrees to sell treated water to the City. The contract requires the City to purchase at least an average of 100,000 gallons per day on an annualized basis whether or not the City actually takes and utilizes said water amount. The contract is for a period of twenty years commencing October 15, 2012 and ending October 14, 2032.

A schedule of future minimum payments due the District at the current rate of \$5.19 per thousand gallons is shown below:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 189,435
2021	189,435
2022	189,435
2023	189,435
2024	189,435
2025-2029	947,175
2030-2032	568,305
	<u>\$ 2,462,655</u>

Incurred expenses for the year ended September 30, 2019 were \$229,643.

The City has entered into a contract with CareFlite to provide EMS ambulance services, effective October 1, 2018 and expiring September 30, 2023. Costs are determined annually and are payable in monthly installments. The City has agreed to pay CareFlite on an annual basis at a rate of \$36,000 per year, which shall be paid in twelve equal monthly installments.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Significant commitments (continued)

On September 8, 2015 the City entered into a development agreement with Endeavor Wall Homes, LLC (the "Developer"). Under the agreement the Developer is to construct single-family detached homes. The City agrees to make an incentive payment to the Developer on an annual basis for each home completed for a period of 10 years. The total incentive payment per eligible home shall equal the total appraised market value x .006 x 4 years. The incentive payment per home shall not exceed the amount of property tax paid by the applicant/homeowner to the City, as a separate taxing jurisdiction. The initial payment of the incentive shall not begin until after the home has been on the City's tax roll for one full year. No incentive payments were made to or due to the Developer during the year ended September 30, 2019.

F. Tax abatements

The City is authorized by Texas Tax Code Chapter 312 Property Redevelopment and Tax Abatement Act (Tax Abatement Act) to enter into property tax abatement agreements as an economic development tool available to cities to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. Tax abatements, which can range from twenty percent to one hundred percent of property tax on the value of the property improvement with a duration of up to ten years, may be established upon property located in reinvestment zones established by the City. The threshold criteria used for the abatement include a minimum required capital investment over \$100,000. Violations of the terms of the tax abatement agreement by the tax abatement recipient may result in the full or partial loss of the abatement and give rise to a right of the City to recoup taxes abated, provide for a delinquency date and assess penalties and interest. The City Council establishes the criteria and guidelines that govern all tax abatement agreements including the percentage amount and duration of the tax abatement, a period up to ten years. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner.

<u>Tax Abatement Program</u>	<u>Amount Abated</u>
Tax Abatement Act	<u><u>\$ 4,184</u></u>

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Tax abatements (continued)

The City also enters into Economic Development Agreements to promote local economic development and to stimulate business and commercial activity in the City. These agreements include provisions for repayment if the recipient fails to fully meet its commitments. The City's agreements were as follows at September 30, 2019:

On December 4, 2017, the City entered into an Economic Development Agreement with HSM Dalcon, Inc (HSM). Under the agreement, the City shall pay to HSM an amount equal to 100% of the Ad Valorem Taxes received by the City attributable to homes constructed within the property for a period of eight (8) consecutive years, commencing with Ad Valorem Taxes levied on homes built in the calendar year 2019, and ending with those imposed by the City for homes built in the calendar year 2027.

Additionally, the City shall pay to HSM an amount equal to 100% of the Ad Valorem Taxes received by the City attributable to the difference between the Base Value and the improved value of the land within the property once the infrastructure is completed for the same eight (8) year period as long as HSM has built and received a Letter of Construction Completion from the City on a minimum of 20 houses per calendar year starting January 1, 2019. If the required number of homes per year are not built, then HSM does not receive this portion of the Program Payments for that given year. No payments were due to HSM under the agreement for the year ended September 30, 2019.

G. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities

Notes Payable

The City's note payable currently outstanding and reported as a liability of the City's governmental activities is:

<u>Note Amount</u>	<u>Maturity date</u>	<u>Interest Rate</u>	<u>Year-end Balance</u>	<u>Secured By</u>
\$ 19,063	1/24/2021	4.08%	\$ 12,453	Vehicle

The City's note payable currently outstanding and reported as a liability of the City's business-type activities is:

<u>Note Amount</u>	<u>Maturity date</u>	<u>Interest Rate</u>	<u>Year-end Balance</u>	<u>Secured By</u>
\$ 50,934	1/24/2021	4.08%	\$ 33,273	Vehicles

Certificates of Obligation

The City issues certificates of obligation to provide fund for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and wastewater system.

Certificates of obligation currently outstanding and reported as liabilities of the City's governmental activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2011	\$ 1,500,000	3/1/2026	2.00-4.25%	<u>\$ 805,000</u>

Certificates of obligation currently outstanding and reported as liabilities of the City's business-type activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2006	\$ 850,000	3/1/2026	4.60%	<u>\$ 395,000</u>

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

Compensated Absences -

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Water and Wastewater Fund based on the assignment of an employee at termination.

Net Pension Liability -

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Other Post-Employment Benefit Liability (OPEB)

The total OPEB liability represents the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 75.

Special Assessment Bond

In October 2017, the City created the Ferris Public Improvement District No. 1 ("PID") as authorized under Chapter 372 of the Texas Local Government Code. This PID was created for the acquisition, construction, and development of public improvements to include roads, drainage and storm water control system, sanitary sewage collection system, water supply and distribution system, other improvements and costs associated with the development and financing of these improvements.

A third party collects the special assessment for the debt issued and transfers money to the paying agent for the debt. The City of Ferris, Texas does not have any direct or contingent liability or moral obligation for the payment of this debt. The outstanding balance for the special assessment bond at September 30, 2019 is:

Special Assessment Revenue Bonds, Series 2018	<u>\$</u> <u>4,125,000</u>
---	----------------------------

Changes in Long-term Liabilities –

Changes in the government's long-term liabilities for the year ended September 30, 2019 are as follows:

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 905,000	\$ -	\$ (100,000)	\$ 805,000	\$ 100,000
Tax and revenue refunding	265,000	-	(265,000)	-	-
Less deferred amounts:					
For issuance					
discount/premium	23,145	-	(2,751)	20,394	-
Total bonds payable	1,193,145	-	(367,751)	825,394	100,000
Note payable	-	19,063	(6,610)	12,453	6,102
Compensated absences	69,332	80,212	(69,789)	79,755	79,755
Net pension liability	11,433	271,685	-	283,118	-
OPEB liability	98,284	-	(1,582)	96,702	-
Governmental activity					
Long-term liabilities	<u>\$ 1,372,194</u>	<u>\$ 370,960</u>	<u>\$ (445,732)</u>	<u>\$ 1,297,422</u>	<u>\$ 185,857</u>

Certificates of obligation, tax and revenue refunding bonds and note payable issued for governmental activity purposes are liquidated by the General fund and Debt Service fund. Governmental compensated absences, net pension liability, and OPEB liability will be liquidated by the General fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Certificates of obligation	\$ 440,000	\$ -	\$ (45,000)	\$ 395,000	\$ 50,000
Note payable	-	50,934	(17,661)	33,273	16,304
Compensated absences	4,459	10,153	(8,744)	5,868	5,868
Net pension liability	-	38,845	-	38,845	-
OPEB liability	13,925	-	(234)	13,691	-
Business-type activity					
Long-term liabilities	<u>\$ 458,384</u>	<u>\$ 99,932</u>	<u>\$ (71,639)</u>	<u>\$ 486,677</u>	<u>\$ 72,172</u>

Certificates of obligations issued for business-type activities are repaid from those activities. Business-type note payable, compensated absences, and OPEB liability will be liquidated by the Water and Wastewater fund.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

Annual debt service requirements to maturity are as follows -

Year Ending September 30	Governmental Activities			
	Certificates of Obligation		Note Payable	
	Principal	Interest	Principal	Interest
2020	\$ 100,000	\$ 31,424	\$ 6,102	\$ 508
2021	105,000	27,324	6,351	259
2022	110,000	23,024	-	-
2023	115,000	18,381	-	-
2024	120,000	13,388	-	-
2025-2026	255,000	10,945	-	-
	<u>\$ 805,000</u>	<u>\$ 124,486</u>	<u>\$ 12,453</u>	<u>\$ 767</u>

Year Ending September 30	Business-Type Activities			
	Certificates of Obligation		Note Payable	
	Principal	Interest	Principal	Interest
2020	\$ 50,000	\$ 17,020	\$ 16,304	\$ 1,357
2021	50,000	14,720	16,969	692
2022	55,000	12,305	-	-
2023	55,000	9,775	-	-
2024	60,000	7,130	-	-
2025-2026	125,000	5,865	-	-
	<u>\$ 395,000</u>	<u>\$ 66,815</u>	<u>\$ 33,273</u>	<u>\$ 2,049</u>

I. Interfund receivables and payables

The composition of interfund balances as of September 30, 2019 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 31,614
Nonmajor governmental fund	General	8,499
Water and wastewater	General	182,742
		<u>\$ 222,855</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Interfund transfers

The composition of interfund transfers as of September 30, 2019 is as follows:

Interfund transfers:

	Transfer In:	
Transfer Out:	General	Total
Water and wastewater	\$ 96,000	\$ 96,000
Nonmajor governmental fund	1,636	1,636
	<u>\$ 97,636</u>	<u>\$ 97,636</u>

Transfers are primarily used to move funds from the Water and Wastewater Fund to the General Fund for administrative services.

K. Related party transactions

The significant transactions between the primary government and its component units during the year ended September 30, 2019 consisted of administrative services provided by the City in the amount of \$13,188 for the Ferris 4A Economic Development Corporation and \$13,188 for the Ferris 4B Economic Development Corporation. In addition the City conveyed property valued at \$120,141 to the Ferris 4A Economic Development Corporation.

In addition, the City receives on-behalf payments from the Ferris 4A and 4B Economic Development Corporations to be used for the City's Economic Development Director's salary and benefits. The on-behalf payments to the City for the fiscal year ended September 30, 2019 consisted of \$12,580 from the Ferris 4A Economic Development Corporation and \$12,580 from the Ferris 4B Economic Development Corporation. Such payments are recorded as intergovernmental revenue and general government expenses/expenditures in the government-wide and general fund financial statements.

L. Contingencies

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

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Subsequent events

Subsequent to year end, the City approved the following items:

- the issuance of Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2020 in the amount of \$3,155,000.
- the purchase of various equipment for a total of approximately \$103,000.
- the creation of Woodstone Public Improvement District
- a water and wastewater rate study in the amount of \$43,000.

N. Discretely presented component units

1. Ferris 4A Economic Development Corporation Fund

Cash Deposits with Financial Institutions

At year end the bank balance of the Corporation's deposits was \$631,645. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$381,645 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$486,000.

Economic Development Agreement Receivable

On December 18, 2018, the Corporation entered into an economic development agreement with a developer whereby the Corporation conveyed 2.001 acres of land valued at \$130,000. The developer has agreed to construct a mixed-use commercial and residential development located with Ferris, Texas and to create a minimum of 5 full time equivalent positions at an annual wage equivalent of \$20,000 per year for a period of 5 years. The Corporation agrees to forgive 20% of the property value or \$28,000 annually if the developer achieves the performance measures. the balance of the receivable as of September 30, 2019 was \$130,000.

Capital Assets

Capital asset activity for the Corporation for the year ended September 30, 2019, was as follows:

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

N. Discretely presented component units (continued)

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 948,199	\$ 179,490	\$ (179,490)	\$ 948,199
Total capital assets not being depreciated	948,199	179,490	(179,490)	948,199
Capital assets being depreciated:				
Machinery and equipment	1,483	-	-	1,483
Totals capital assets being depreciated	1,483	-	-	1,483
Less accumulated depreciation for:				
Machinery and equipment	(420)	(297)	-	(717)
Total accumulated depreciation	(420)	(297)	-	(717)
Total capital assets, being depreciated, net	1,063	(297)	-	766
Governmental activities capital assets, net	<u>\$ 949,262</u>	<u>\$ 179,193</u>	<u>\$ (179,490)</u>	<u>\$ 948,965</u>

Note Payable

The Corporation entered into a note payable dated October 4, 2017 in the amount of \$768,625 for the purchase of real property. Payments on the note consist of quarterly payments of \$15,902 at 5.50% fixed for 20 years.

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Notes payable	\$ 752,405	\$ -	\$ (22,687)	\$ 729,718	\$ 23,960
	<u>\$ 752,405</u>	<u>\$ -</u>	<u>\$ (22,687)</u>	<u>\$ 729,718</u>	<u>\$ 23,960</u>

Year Ending September 30	Notes Payable	
	Principal	Interest
2020	\$ 23,960	\$ 39,646
2021	25,306	38,301
2022	26,726	36,880
2023	28,230	35,379
2024	29,812	33,795
2025-2029	176,126	141,906
2030-2034	231,441	86,590
2035-2038	188,117	18,601
	<u>\$ 729,718</u>	<u>\$ 431,098</u>

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

N. Discretely presented component units (continued)

Subsequent Events

- Subsequent to year end the Corporation approved a feasibility study for approximately \$11,000.

2. Ferris 4B Economic Development Corporation Fund

Cash Deposits with Financial Institutions

At year end the bank balance of the Corporation's deposits was \$409,225. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$159,225 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$216,000.

3. Ferris Public Improvement District No. 1

Capital Assets

Construction in progress for the year totaled \$3,111,299.

Long-term liabilities

Special Assessment Revenue Bonds

Special revenue assessment bonds currently outstanding and reported as liabilities of the District are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2018	\$ 4,125,000	9/1/2048	4.875%-6.000%	<u>\$ 4,125,000</u>

Changes in the District's long-term liabilities for the year ended September 30, 2019 are as follows:

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

N. Discretely presented component units (continued)

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Special assessment					
revenue bonds	\$ -	\$ 4,125,000	\$ -	\$ 4,125,000	\$ 60,000
For issuance discount	-	(38,650)	1,288	(37,362)	-
	<u>\$ -</u>	<u>\$ 4,086,350</u>	<u>\$ 1,288</u>	<u>\$ 4,087,638</u>	<u>\$ 60,000</u>

Year Ending September 30	Special Assessment Revenue Bonds	
	Principal	Interest
2020	\$ 60,000	\$ 244,575
2021	65,000	241,650
2022	65,000	238,481
2023	70,000	235,313
2024	70,000	231,900
2025-2029	425,000	1,090,500
2030-2034	560,000	947,700
2035-2039	755,000	757,800
2040-2044	1,005,000	502,500
2045-2048	1,050,000	162,000
	<u>\$ 4,125,000</u>	<u>\$ 4,652,419</u>

Significant Commitments

On October 2, 2017 the City created Ferris Public Improvement District No.1 (the "District") to fund certain infrastructure improvements within the District. On March 19, 2018 the City authorized the execution of a development agreement with HSM Shaw Creek Ranch II LLC (the "Developer"). Under the agreement the Developer is to design and construct public improvements in the District. Following completion of the public improvements with funding provided by the Developer, the City shall acquire the public improvements. The City shall reimburse the Developer for budgeted public improvement construction costs in the amount of \$4,405,763 with the use of bond proceeds. As of September 30, 2019 reimbursements paid to the Developer totaled \$3,080,166.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS

1. Texas Municipal Retirement System

A. Plan description

The City of Ferris, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits provided

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

At retirement, the benefit is calculated as if the sum of the employee's 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 payments 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.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

	Plan Provisions
Employee deposit rate	5%
Municipal current matching ratio	1.5 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	2000R
Increase benefits to retirees:	
Rate (%) ⁽¹⁾	70
Year effective	2000R
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	8-01
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	9.5%

⁽¹⁾ For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	56
Active employees	42
	<hr/> 127

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

C. Contributions

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

Employees for the City of Ferris, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ferris, Texas were 5.87% and 5.31% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$104,028, and were equal to the required contributions.

D. Net pension liability (asset)

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real
Domestic	17.5%	4.30%
International	17.5%	6.10%
Core Fixed	10.0%	1.00%
Non-Core	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100%	

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2017	\$ 3,670,479	\$ 3,709,633	\$ (39,154)
Changes for the year:			
Service cost	164,287	-	164,287
Interest	245,626	-	245,626
Difference between expected and actual experience	(3,069)	-	(3,069)
Contributions - employer	-	97,062	(97,062)
Contributions - employee	-	82,806	(82,806)
Net investment income	-	(111,097)	111,097
Benefit payments, including refunds of employee contributions	(227,446)	(227,446)	-
Administrative expense	-	(2,148)	2,148
Other changes	-	(112)	112
Net Changes	\$ 179,398	\$ (160,935)	\$ 340,333
Balance at 12/31/2018	\$ 3,849,877	\$ 3,548,698	\$ 301,179

Sensitivity of the net pension liability (asset) 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:

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 854,197	\$ 301,178	\$ (144,568)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com. The effect of TMRS on the City's net position has been determined on the same basis used by TMRS.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$7,883.

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2019, the City recognized pension expense of \$104,655.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
	Governmental Activities	Business-Type Activities
Net difference between projected and actual earnings on pensions plan investments	\$ 166,215	\$ 24,363
City contributions subsequent to the measurement date	70,806	10,484
Total	\$ 237,021	\$ 34,847

	Deferred Inflows of Resources	
	Governmental Activities	Business-Type Activities
Differences between expected and actual experience	\$ 21,887	\$ 2,980
Total	\$ 21,887	\$ 2,980

\$81,290 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

<u>Year Ended December 31</u>	
2019	\$ 44,172
2020	24,245
2021	24,994
2022	72,300
Total	<u>\$ 165,711</u>

2. Texas Emergency Services Retirement System

A. Plan description and benefits provided

The City of Ferris, Texas is a nonemployer contributing entity in the Texas Emergency Services Retirement System (TESRS) for its volunteer firefighters. TESRS administers a cost-sharing multiple employer pension system (the 'System') established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine members Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations which may be of interest are also available at the same link.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

2. Texas Emergency Services Retirement System (continued)

B. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. No contributions are required from the individuals who are members of the System, nor are they allowed. The City is required to make contributions for each month a member performs emergency services for a department. The State of Texas is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year. For the fiscal year ending September 30, 2019, total contributions to the plan were \$3,034.

C. Net pension liability

At September 30, 2019, the City reported a liability of \$20,784 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions to the pension plan for the fiscal year ended August 31, 2018 relative to the contributions of all participating entities. At August 31, 2018, the City's portion was 0.096%.

D. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2019, the City recognized pension expense of \$21,825.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Contributions subsequent to the measurement date	\$ 3,034	\$ -
Changes in actuarial assumptions	78	-
Difference between projected and actual investment earnings	-	1,149
Differences between expected and actual economic experience	6	60
Total	<u>\$ 3,118</u>	<u>\$ 1,209</u>

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

2. Texas Emergency Services Retirement System (continued)

\$3,034 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>		
2019	\$	(280)
2020		(280)
2021		(281)
2022		(284)
Total	\$	<u>(1,125)</u>

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. Plan description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e. , no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

B. Benefits provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

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 one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

C. Employees covered by benefit terms

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

Inactive employees currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	4
Active employees	42
	<hr/> 66

D. Total OPEB liability

The City's total OPEB liability of \$110,393 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

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

Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	\$ 112,209
Changes for the year:	
Service cost	11,096
Interest	3,879
Difference between expected and actual experience	(8,946)
Changes in assumptions or other inputs	(6,686)
Benefit payments**	(1,159)
Net Changes	\$ (1,816)
Balance at 12/31/2018	\$ 110,393

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

Sensitivity of the total OPEB liability to changes in the discount rate -

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB liability	\$ 128,385	\$ 110,393	\$ 96,074

CITY OF FERRIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

E. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$15,398. At September 30, 2019, the City reported deferred outflows of resources and related to OPEB from the following sources:

		Deferred Outflows of Resources	
		Governmental Activities	Business-Type Activities
City contributions subsequent to the measurement date		\$ 2,533	\$ 375
Total		<u>\$ 2,533</u>	<u>\$ 375</u>
		Deferred Inflows of Resources	
		Governmental Activities	Business-Type Activities
Differences between expected and actual experience		\$ 6,224	\$ 922
Changes of assumptions		538	106
Total		<u>\$ 6,762</u>	<u>\$ 1,028</u>

\$2,908 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	
2019	\$ (1,564)
2020	(1,564)
2021	(1,610)
2022	(3,052)
Total	<u>\$ (7,790)</u>

REQUIRED SUPPLEMENTARY INFORMATION

These supplementary schedules are included to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

CITY OF FERRIS, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2019

	Original and Final Budget	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
REVENUES					
Property taxes	\$ 793,064	\$ 803,140	\$ (202)	\$ 802,938	\$ 9,874
Sales taxes	265,000	316,963	1,884	318,847	53,847
Franchise taxes	119,000	139,499	39	139,538	20,538
Alcoholic beverage taxes	1,200	1,171	119	1,290	90
Licenses and permits	37,350	247,716	(5,420)	242,296	204,946
Fines and forfeitures	423,975	411,216	(10,974)	400,242	(23,733)
Host fee	1,500,000	1,790,553	(136,439)	1,654,114	154,114
Gas royalty	-	158,996	(158,996)	-	-
Revenues from use of money and property	4,500	9,375	-	9,375	4,875
Other	43,375	50,218	25	50,243	6,868
Intergovernmental	105,508	57,010	-	57,010	(48,498)
Contributions and donations	12,600	4,163	-	4,163	(8,437)
Total revenues	3,305,572	3,990,020	(309,964)	3,680,056	374,484
EXPENDITURES					
Current:					
General government:					
City council	119,246	109,959	1,224	111,183	(8,063)
City manager	260,077	330,392	(6,829)	323,563	63,486
Municipal finance	205,442	241,186	50	241,236	35,794
Senior services	22,406	24,624	(167)	24,457	2,051
Information technology	191,804	237,374	(7,463)	229,911	38,107
Economic development	93,433	41,536	-	41,536	(51,897)
Total general government	892,408	985,071	(13,185)	971,886	79,478
Public safety:					
Code compliance	94,647	94,527	56	94,583	(64)
Fire	560,286	611,846	(9,023)	602,823	42,537
EMS	41,350	48,469	-	48,469	7,119
Police	1,049,141	1,099,032	(10,090)	1,088,942	39,801
Municipal court	129,428	88,799	(1,209)	87,590	(41,838)
Animal control	71,563	43,797	(1,582)	42,215	(29,348)
Total public safety	1,946,415	1,986,470	(21,848)	1,964,622	18,207
Cultural and recreational:					
Parks	72,000	41,043	-	41,043	(30,957)
Library	214,390	168,437	(1,676)	166,761	(47,629)
Total cultural and recreational	286,390	209,480	(1,676)	207,804	(78,586)
Public works					
Streets and drainage	282,170	244,749	(2,925)	241,824	(40,346)
Total public works	282,170	244,749	(2,925)	241,824	(40,346)
Debt service:					
Principal and interest charges	-	100,000	(100,000)	-	-
Interest and fiscal charges	-	35,425	(35,425)	-	-
Total debt service	-	135,425	(135,425)	-	-
Total expenditures	3,407,383	3,561,195	(175,059)	3,386,136	(21,247)
Excess (deficiency) of revenues over (under) expenditures	(101,811)	428,825	(134,905)	293,920	395,731
OTHER FINANCING SOURCES (USES)					
Transfers in	97,636	97,636	-	97,636	-
Note issued	-	18,024	-	18,024	18,024
Insurance proceeds	-	40,318	-	40,318	40,318
Proceeds from the sale of capital assets	6,500	51,135	-	51,135	44,635
Total other financing sources and uses	104,136	207,113	-	207,113	102,977
Net change in fund balance	\$ 2,325	\$ 635,938	\$ (134,905)	\$ 501,033	\$ 498,708

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget for the general fund is adopted on the budgetary basis of accounting. All annual appropriations lapse at fiscal year end. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF FERRIS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost	\$ 157,389	\$ 180,871	\$ 170,877	\$ 164,523	\$ 164,287
Interest (on the Total Pension Liability)	224,607	232,113	230,569	236,803	245,626
Difference between expected and actual experience	(70,569)	(124,273)	(86,304)	(28,575)	(3,069)
Changes of assumptions	-	27,891	-	-	-
Benefit payments, including refunds of employee contributions	(191,312)	(240,556)	(182,787)	(256,416)	(227,446)
Net Change in Total Pension Liability	120,115	76,046	132,355	116,335	179,398
Total Pension Liability - Beginning	3,225,628	3,345,743	3,421,789	3,554,144	3,670,479
Total Pension Liability - Ending (a)	<u>\$ 3,345,743</u>	<u>\$ 3,421,789</u>	<u>\$ 3,554,144</u>	<u>\$ 3,670,479</u>	<u>\$ 3,849,877</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 83,861	\$ 101,254	\$ 107,196	\$ 101,177	\$ 97,062
Contributions - Employee	81,736	84,519	81,061	79,633	82,806
Net Investment Income	172,835	4,672	210,393	461,079	(111,097)
Benefit payments, including refunds of employee contributions	(191,312)	(240,556)	(182,787)	(256,416)	(227,446)
Administrative Expense	(1,804)	(2,846)	(2,376)	(2,386)	(2,148)
Other	(148)	(141)	(128)	(121)	(112)
Net Change in Plan Fiduciary Net Position	145,168	(53,098)	213,359	382,966	(160,935)
Plan Fiduciary Net Position - Beginning	3,021,238	3,166,406	3,113,308	3,326,667	3,709,633
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,166,406</u>	<u>\$ 3,113,308</u>	<u>\$ 3,326,667</u>	<u>\$ 3,709,633</u>	<u>\$ 3,548,698</u>
Net Pension Liability - Ending (a) - (b)	\$ 179,337	\$ 308,481	\$ 227,477	\$ (39,154)	\$ 301,179
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.64%	90.98%	93.60%	101.07%	92.18%
Covered Payroll	1,634,722	1,690,384	1,621,223	1,592,670	1,656,121
Net Pension Liability as a Percentage of Covered Payroll	10.97%	18.25%	14.03%	(2.46%)	18.19%

Notes to Schedule:

N/A

CITY OF FERRIS, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 98,220	\$ 110,315	\$ 99,017	\$ 99,458	\$ 104,028
Contributions in relation to the actuarially determined contribution	98,220	110,315	99,017	99,458	104,028
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	1,705,659	1,708,629	1,551,748	1,664,637	1,918,245
Contributions as a percentage of covered employee payroll	5.76%	6.46%	6.38%	5.97%	5.42%

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	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

CITY OF FERRIS, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
AS NONEMPLOYER CONTRIBUTING ENTITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017	2018
City's proportion of the net pension liability	0.062%	0.104%	0.104%	0.048%	0.096%
City's proportionate share of the net pension liability	\$ 11,266	\$ 27,761	\$ 30,293	\$ 11,433	\$ 20,784
Plan fiduciary net position as a percentage of the total pension liability	83.46%	65.99%	66.16%	81.41%	84.26%

Notes to Schedule:

N/A

CITY OF FERRIS, TEXAS
SCHEDULE OF THE CITY'S CONTRIBUTIONS - AS NONEMPLOYER CONTRIBUTING ENTITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019
Statutorily required contribution	\$ 3,420	\$ 9,237	\$ 3,093	\$ 5,170	\$ 3,034
Contributions in relation to the statutorily required contribution	3,420	9,237	3,093	5,170	3,034
Contribution deficiency (excess)	-	-	-	-	-

Notes to Schedule:

N/A

CITY OF FERRIS, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

	2017	2018
Total OPEB liability		
Service Cost	\$ 9,875	\$ 11,096
Interest (on the Total Pension Liability)	3,638	3,879
Difference between expected and actual experience	-	(8,946)
Changes of assumptions	7,859	(6,686)
Benefit payments, including refunds of employee contributions	(956)	(1,159)
Net Change in Total OPEB Liability	20,416	(1,816)
Total OPEB Liability - Beginning	91,793	112,209
Total OPEB Liability - Ending (a)	\$ 112,209	\$ 110,393
 Covered Payroll	 1,592,670	 1,656,121
 Total OPEB Liability as a Percentage of Covered Payroll	 7.05%	 6.67%

Notes to Schedule:

Note1 - No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note2 - The actuarial assumption and other inputs used to calculate the total OPEB liability are described in note 4.D to the financial statements.

Note3 - Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

Court Technology Fund – This fund is used to account for revenues that are to be used for technological enhancements to the municipal court.

Court Security Fund – This fund is used to account for the revenues to provide security services for buildings housing a municipal court.

DEBT SERVICE FUND - The debt service fund is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

CITY OF FERRIS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2019

	Nonmajor Special Revenue	Nonmajor Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 32,280	\$ 34,309	\$ 66,589
Due from other funds	8,499	-	8,499
Total assets	<u>\$ 40,779</u>	<u>\$ 34,309</u>	<u>\$ 75,088</u>
LIABILITIES			
Accounts payable	\$ 428	\$ -	\$ 428
Due to other funds	-	31,614	31,614
Total liabilities	<u>428</u>	<u>31,614</u>	<u>32,042</u>
FUND BALANCES			
Restricted:			
Debt service	-	2,695	2,695
Public safety	40,351	-	40,351
Total fund balance	<u>40,351</u>	<u>2,695</u>	<u>43,046</u>
Total liabilities and fund balances	<u>\$ 40,779</u>	<u>\$ 34,309</u>	<u>\$ 75,088</u>

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

	Nonmajor Special Revenue	Nonmajor Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	\$ -	\$ 220,644	\$ 220,644
Fines and forfeitures	17,444	-	17,444
Revenues from use of money	30	119	149
Total revenues	<u>17,474</u>	<u>220,763</u>	<u>238,237</u>
EXPENDITURES			
Current:			
Public safety	16,464	-	16,464
Debt service:			
Principal retirement	-	271,614	271,614
Interest and fiscal charges	-	4,916	4,916
Total expenditures	<u>16,464</u>	<u>276,530</u>	<u>292,994</u>
Excess (deficiency) of revenues revenues over (under) expenditures	<u>1,010</u>	<u>(55,767)</u>	<u>(54,757)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,636)</u>	-	<u>(1,636)</u>
Total other financing sources (uses)	<u>(1,636)</u>	-	<u>(1,636)</u>
Net change in fund balances	(626)	(55,767)	(56,393)
Fund balances - beginning	<u>40,977</u>	<u>58,462</u>	<u>99,439</u>
Fund balances - ending	<u><u>\$ 40,351</u></u>	<u><u>\$ 2,695</u></u>	<u><u>\$ 43,046</u></u>

CITY OF FERRIS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2019

	<u>Court Technology</u>	<u>Court Security</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 5,096	\$ 27,184	\$ 32,280
Due from other funds	4,912	3,587	8,499
Total assets	<u>\$ 10,008</u>	<u>\$ 30,771</u>	<u>\$ 40,779</u>
LIABILITIES			
Accounts payable	\$ 270	\$ 158	\$ 428
Total liabilities	<u>270</u>	<u>158</u>	<u>428</u>
FUND BALANCES			
Restricted:			
Public safety	<u>9,738</u>	<u>30,613</u>	<u>40,351</u>
Total fund balance	<u>9,738</u>	<u>30,613</u>	<u>40,351</u>
Total liabilities and fund balances	<u>\$ 10,008</u>	<u>\$ 30,771</u>	<u>\$ 40,779</u>

CITY OF FERRIS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended September 30, 2019

	Court Technology	Court Security	Totals
REVENUES			
Fines and forfeitures	\$ 10,557	\$ 6,887	\$ 17,444
Revenues from use of money	17	13	30
Total revenues	<u>10,574</u>	<u>6,900</u>	<u>17,474</u>
EXPENDITURES			
Current:			
Public safety	16,306	158	16,464
Total expenditures	<u>16,306</u>	<u>158</u>	<u>16,464</u>
Excess (deficiency) of revenues over expenditures	<u>(5,732)</u>	<u>6,742</u>	<u>1,010</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(1,636)	(1,636)
Total other financing sources (uses)	<u>-</u>	<u>(1,636)</u>	<u>(1,636)</u>
Net change in fund balances	(5,732)	5,106	(626)
Fund balances - beginning	<u>15,470</u>	<u>25,507</u>	<u>40,977</u>
Fund balances - ending	<u><u>\$ 9,738</u></u>	<u><u>\$ 30,613</u></u>	<u><u>\$ 40,351</u></u>

CITY OF FERRIS, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2019

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Property taxes	\$ 214,916	\$ 220,644	\$ 5,728
Revenues from use of money	100	119	19
Total revenues	<u>215,016</u>	<u>220,763</u>	<u>5,747</u>
EXPENDITURES			
Debt service:			
Principal on bonds	265,000	271,614	6,614
Interest and fiscal charges	4,916	4,916	-
Total expenditures	<u>269,916</u>	<u>276,530</u>	<u>6,614</u>
Net change in fund balance	<u>\$ (54,900)</u>	<u>\$ (55,767)</u>	<u>\$ (867)</u>

PROPRIETARY FUND

ENTERPRISE FUNDS - Enterprise funds account for services provided primarily to customers outside the financial reporting entity.

Water and Wastewater Fund - The City's water and wastewater utility operations are accounted for in this fund.

CITY OF FERRIS, TEXAS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER AND WASTEWATER
For the Fiscal Year Ended September 30, 2019

	Original and Final Budget	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
OPERATING REVENUES					
Water sales	\$ 688,500	\$ 682,185	\$ 56,374	\$ 738,559	\$ 50,059
Wastewater service	564,000	557,943	45,833	603,776	39,776
Miscellaneous	126,300	205,234	-	205,234	78,934
Total operating revenues	<u>\$1,378,800</u>	<u>\$1,445,362</u>	<u>\$ 102,207</u>	<u>\$1,547,569</u>	<u>\$ 168,769</u>
OPERATING EXPENSES					
Water and wastewater operations	\$2,419,724	\$ 1,356,584	\$ 113,564	\$ 1,470,148	\$ (949,576)
Depreciation and amortization	-	189,252	(189,252)	-	-
Total operating expenses	<u>\$2,419,724</u>	<u>\$ 1,545,836</u>	<u>\$ (75,688)</u>	<u>\$ 1,470,148</u>	<u>\$ (949,576)</u>

COMPONENT UNIT FINANCIAL STATEMENTS

Ferris 4A Economic Development Corporation Fund - This fund is used to account for the Ferris Economic Development Corporation created under Section 4A of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended.

Ferris 4B Economic Development Corporation Fund - This fund is used to account for the Ferris Economic Development Corporation created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended.

The Ferris Public Improvement District No. 1 - This District is used to account for the acquisition, construction, and development of public improvements to include roads, drainage and storm water control system, sanitary sewage collection system, water supply and distribution system, other improvements and costs associated the development and financing of these improvements.

CITY OF FERRIS, TEXAS
BALANCE SHEET - GENERAL FUND
COMPONENT UNITS
September 30, 2019

	Ferris 4A Economic Development Corporation	Ferris 4B Economic Development Corporation	Ferris Public Improvement District No.1
ASSETS			
Cash and cash equivalents	\$ 568,038	\$ 409,226	\$ 1,981,855
Economic development agreement receivable	130,000	-	-
Due from primary government	4,652	6,825	-
Restricted cash - debt service	63,606	-	310,716
Total assets	<u>\$ 766,296</u>	<u>\$ 416,051</u>	<u>\$ 2,292,571</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 566,213
Due to primary government	-	-	15,698
Developer deposit payable	-	-	1,227,017
Total liabilities	<u>-</u>	<u>-</u>	<u>1,808,928</u>
FUND BALANCES			
Nonspendable:			
Economic development agreement receivable	130,000	-	-
Restricted:			
Debt service	63,606	-	310,716
Economic development	572,690	416,051	-
Public improvement	-	-	211,577
Total fund balances	<u>766,296</u>	<u>416,051</u>	<u>522,293</u>
Total liabilities and fund balances	<u>\$ 766,296</u>	<u>\$ 416,051</u>	<u>\$ 2,331,221</u>

CITY OF FERRIS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND
COMPONENT UNITS
For the Fiscal Year Ended September 30, 2019

	Ferris 4A Economic Development Corporation	Ferris 4B Economic Development Corporation	Ferris Public Improvement District No.1
REVENUES			
Sales taxes	\$ 158,482	\$ 158,482	\$ -
Revenues from use of money	1,142	685	46,440
Contributions and donations	-	-	5,000
Total revenues	<u>159,624</u>	<u>159,167</u>	<u>51,440</u>
EXPENDITURES			
Current:			
Economic development	94,365	60,326	-
Public improvement	-	-	3,111,299
Debt Service:			
Principal retirement	22,007	-	-
Interest and fiscal charges	41,599	-	149,819
Total expenditures	<u>157,971</u>	<u>60,326</u>	<u>3,261,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,653</u>	<u>98,841</u>	<u>(3,209,678)</u>
OTHER FINANCING SOURCES (USES)			
Revenue bonds issued	-	-	4,125,000
Discount on bonds issued	-	-	(38,650)
Bond issuance costs	-	-	(354,379)
Sale of capital assets	189,878	-	-
Total other financing sources (uses)	<u>189,878</u>	<u>-</u>	<u>3,731,971</u>
Net change in fund balances	191,531	98,841	522,293
Fund balances - beginning	<u>574,765</u>	<u>317,210</u>	<u>-</u>
Fund balances - ending	<u>\$ 766,296</u>	<u>\$ 416,051</u>	<u>\$ 522,293</u>

SUPPLEMENTARY FINANCIAL DATA

CITY OF FERRIS, TEXAS
SCHEDULE OF CASH BALANCES - ALL FUNDS
September 30, 2019

GENERAL FUND

Cash on hand	\$	725	
Cash in bank - Operating		1,444,798	
- Court Restricted		8,241	
- Court State Fees		41,604	
- Police Awarded Funds		7,740	
- National Night Out		1,247	
- WMI Meth Electric Funds		220,305	
- Deep Reserve General		<u>133,027</u>	\$ 1,857,687

SPECIAL REVENUE FUNDS

Cash in bank - Court Technology		5,096	
- Court Security		<u>27,184</u>	<u>32,280</u>

DEBT SERVICE FUND

Cash in bank - Interest and Sinking Funds			<u>34,309</u>
---	--	--	---------------

ENTERPRISE FUND - WATER AND WASTEWATER

Cash on hand		200	
Cash in bank - Operating		150,387	
- Deep Reserve - Water and Wastewater		<u>131,116</u>	<u>281,703</u>
			<u>\$ 2,205,979</u>

CITY OF FERRIS, TEXAS

COMBINED SCHEDULE OF BONDED DEBT - ALL FUNDS
For the Fiscal Year Ended September 30, 2019

	Original Amount	Balance Outstanding 10/1/2018	Bonds Issued	Retired	Balance Outstanding 9/30/2019	Interest Rate
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION						
Series 2006	\$ 850,000	\$ 440,000	\$ -	\$ 45,000	\$ 395,000	4.60%
Series 2011	1,500,000	905,000	-	100,000	805,000	2-00%-4.25%
Total Certificates of Obligation		<u>\$ 1,345,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 1,200,000</u>	
TOTAL BONDED DEBT		<u>\$ 1,345,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 1,200,000</u>	
TAX AND REVENUE REFUNDING BONDS						
Series 2005	\$ 2,355,000	\$ 265,000	\$ -	\$ 265,000	\$ -	3.71%
Total Tax and Revenue Refunding Bonds		<u>\$ 265,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ -</u>	
TOTAL COMBINED BONDED DEBT		<u>\$ 1,610,000</u>	<u>\$ -</u>	<u>\$ 410,000</u>	<u>\$ 1,200,000</u>	

CITY OF FERRIS, TEXAS
DEBT REQUIREMENTS
October 1, 2019 to Maturity

Issue: Combination Tax and Revenue Certificates of Obligation
Date: March 1, 2006
Original Amount: \$850,000
Denomination: \$5,000
Interest: 4.60%
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

Fiscal Year Ending 9/30	Principal Due 3/1	Interest Due 3/1	Interest Due 9/1	Totals
2020	\$ 50,000	\$ 9,085	\$ 7,935	\$ 67,020
2021	50,000	7,935	6,785	64,720
2022	55,000	6,785	5,520	67,305
2023	55,000	5,520	4,255	64,775
2024	60,000	4,255	2,875	67,130
2025	60,000	2,875	1,495	64,370
2026	65,000	1,495	-	66,495
	<u>\$ 395,000</u>	<u>\$ 37,950</u>	<u>\$ 28,865</u>	<u>\$ 461,815</u>
Average Annual Requirements		<u>\$ 65,974</u>		

CITY OF FERRIS, TEXAS
DEBT REQUIREMENTS
October 1, 2019 to Maturity

Issue: Tax and Waterworks and Sewer System Revenue Certificates of Obligation
Date: March 15, 2011
Original Amount: \$1,500,000
Denomination: \$5,000
Interest: 2-00% - 4.25%
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

Fiscal Year Ending 9/30	Principal Due 3/1	Interest Due 3/1	Interest Due 9/1	Totals
2020	\$ 100,000	\$ 16,712	\$ 14,712	\$ 131,424
2021	105,000	14,712	12,612	132,324
2022	110,000	12,612	10,412	133,024
2023	115,000	10,412	7,969	133,381
2024	120,000	7,969	5,419	133,388
2025	125,000	5,419	2,763	133,182
2026	130,000	2,763	-	132,763
	<u>\$ 805,000</u>	<u>\$ 70,599</u>	<u>\$ 53,887</u>	<u>\$ 929,486</u>
Average Annual Requirements		<u>\$ 132,784</u>		