

CITY OF FERRIS, TEXAS

Annual Financial Report

September 30, 2020

CITY OF FERRIS, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ferris, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 opinion.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Units (Fund 60 & 62)	Qualified
Aggregate Discretely Presented Component Units (Fund 40)	Unmodified
Governmental Fund 10 (General Fund)	Qualified
Governmental Fund 37 (Debt Service)	Unmodified
Governmental Fund 65 & 66 (Non-Major Special Revenue)	Qualified
Enterprise Fund 80 (Water)	Qualified
Enterprise Fund 81 (Wastewater)	Unmodified

Basis for Qualified Opinion on Governmental Activities and General Fund

Because of the inadequacy of accounting records for 2020 fiscal year bank reconciliations for cash balance, we were unable to obtain sufficient appropriate audit evidence regarding the reconciled cash balance of \$419,339 recorded as of September 30, 2020.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities, Business Activities, General Fund, Proprietary Fund 80, Non Major Special Revenue Fund 65 and 66, Aggregate Discretely Presented Component Units Fund 60 and 62 and Non-Major Special Revenue Fund 65 and 66" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and Business Activities of the City of Ferris, as of September 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

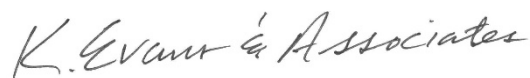
Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Debt Service Fund 37, Aggregate Discretely Presented Component Units Fund 40 and Proprietary Fund 81, of the City of Ferris, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 3 through 10 and 54, 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.



K. Evans & Associates, PLLC
Frisco, Texas
February 1, 2022

CITY OF FERRIS, TEXAS
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2020

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, 2020.

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 \$8,490,997 (net position). Of this amount, \$2,869,586 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 \$707,155.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,146,173, an increase of \$1,019,171 in comparison with the prior year. Approximately 91% of this amount (\$3,146,173) 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 \$2,869,586 or 50% 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 20-58 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 \$8,484,196, at the close of the most recent fiscal year.

CITY OF FERRIS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current & Other Assets	\$ 3,881,633	\$ 2,513,334	\$ 2,137,674	\$ 852,015	\$ 6,019,307	\$ 3,365,349
Capital Assets	7,077,462	6,609,991	3,502,705	2,683,343	10,580,167	9,293,334
Total Assets	<u>10,959,095</u>	<u>9,123,325</u>	<u>5,640,379</u>	<u>3,535,358</u>	<u>16,599,474</u>	<u>12,658,683</u>
Deferred Outflows of Resources	118,025	242,672	16,152	35,222	134,177	277,894
Long Term Liabilities	1,731,602	1,297,422	3,441,961	486,677	5,173,563	1,784,099
Other Liabilities	588,812	254,875	220,011	374,931	808,823	629,806
Total Liabilities	<u>2,320,414</u>	<u>1,552,297</u>	<u>3,661,972</u>	<u>861,608</u>	<u>5,982,386</u>	<u>2,413,905</u>
Deferred Inflows of Resources	265,709	29,858	28,942	4,008	294,651	33,866
Net Position:						
Net Invested in Capital Assets	5,344,824	5,772,144	89,865	2,255,070	5,434,689	8,027,214
Restricted	276,587	43,914	-	-	276,587	43,914
Unrestricted	2,869,586	1,967,784	1,875,752	449,894	4,745,338	2,417,678
Total Net Position	<u>\$8,490,997</u>	<u>\$7,783,842</u>	<u>\$1,965,617</u>	<u>\$2,704,964</u>	<u>\$10,456,614</u>	<u>\$10,488,806</u>

By far, the largest portion of the City's net position (52%) 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 (2.65%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$4,745,338 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 decreased \$32,192 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 – Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services	\$ 3,710,582	\$ 676,376	\$ 1,333,668	\$ 1,445,362	\$ 5,044,250	\$ 2,121,738
Grants & Contributions	71,014	77,328	6,355	247,245	77,369	324,573
General Revenues:						
Property Tax	1,132,161	1,027,239	-	-	1,132,161	1,027,239
Other Tax	516,296	457,633	-	-	516,296	457,633
Host Fees	-	1,790,553	-	-	-	1,790,553
Miscellaneous	982,868	191,714	2,287	7,698	985,155	199,412
Total Revenues	<u>6,412,921</u>	<u>4,220,843</u>	<u>1,342,310</u>	<u>1,700,305</u>	<u>7,755,231</u>	<u>5,921,148</u>
Expenses						
General Government	1,643,951	1,090,842	-	-	1,643,951	1,090,842
Public Safety	3,284,483	2,132,373	-	-	3,284,483	2,132,373
Streets	313,882	359,348	-	-	313,882	359,348
Parks & Recreation	429,422	405,678	-	-	429,422	405,678
Interest & Fiscal Charges	58,028	57,623	-	-	58,028	57,623
Business-Type Activities	-	-	2,057,657	1,566,234	2,057,657	1,566,234
Total Expenses	<u>5,729,766</u>	<u>4,045,864</u>	<u>2,057,657</u>	<u>1,566,234</u>	<u>7,787,423</u>	<u>5,612,098</u>
Increase/(Decrease) in Net Position Before Transfers	683,155	174,979	(715,347)	134,071	(32,192)	309,050
Transfers	<u>24,000</u>	<u>96,000</u>	<u>(24,000)</u>	<u>(96,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	707,155	270,979	(739,347)	38,071	(32,192)	309,050
Net Position - Beginning	<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>
Net Position - Ending	<u>\$8,490,997</u>	<u>\$7,783,842</u>	<u>\$1,965,617</u>	<u>\$2,704,964</u>	<u>\$10,456,614</u>	<u>\$10,488,806</u>

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$32,192 from the prior fiscal year for an ending balance of \$10,488,806.

- Governmental activities charges for service increased \$2,922,512 (137.74%) during the year. The majority of this increase is the product of developer fees.
- Property taxes increased \$104,922 (10.21%) during the year. The majority of this increase is the product of increased property tax values.
- Public safety expenses increased \$1,152,110 (35.08%) 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 decrease in net position to an ending balance of \$739,347. Revenues from charges for services decreased 7.73% (\$111,694) due to a decrease in the number of customers and rates. Capital contributions decreased \$240,890. Total expenses increased 38.88% (\$2,182,126) 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, 2020, the City's governmental funds reported combined fund balances of \$3,146,173, an increase of \$1,019,171 in comparison with the prior year. Approximately 91% of this amount (\$3,146,173) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remaining \$276,587 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 \$2,869,586, while total fund balance increased by \$2,869,586. 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 53% of total General fund expenditures, while total fund balance represents approximately 59% of that same amount.

The fund balance of the City's General fund increased \$785,630 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 \$1,875,752. Net position decreased in 2020 by \$739,347. 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 \$5,208,273 exceeded budgeted revenues of \$4,557,790 by \$650,483.

Actual general fund expenditures of \$4,440,205 exceeded budgeted expenditures of \$4,303,205 by \$137,045. 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, 2020, amounts to \$8,027,740 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. The total increase in capital assets for the current fiscal year was approximately 4%.

CITY OF FERRIS – Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 432,313	\$ 432,313	\$ 27,817	\$ 27,817	\$ 460,130	\$ 460,130
Construction in Progress	22,698	22,698	351,837	221,659	374,535	244,357
Buildings	1,083,063	1,053,607	30,409	47,086	1,113,472	1,100,693
Improvements	113,540	94,160	2,149,821	3,024,809	2,263,361	3,118,969
Machinery and Equipment	378,217	1,066,793	123,459	181,334	501,676	1,248,127
Infrastructure	4,580,160	4,407,891	-	-	4,580,160	4,407,891
Total	<u>\$ 6,609,991</u>	<u>\$ 7,077,462</u>	<u>\$ 2,683,343</u>	<u>\$ 3,502,705</u>	<u>\$ 9,293,334</u>	<u>\$ 10,580,167</u>

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

- Building additions of approximately \$30,000.
- Machinery and equipment purchase of approximately \$857,000.
- Infrastructure additions of approximately \$72,000.

Additional information on the City's capital assets can be found 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 \$4,7000,000. This amount is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Certificates of Obligation	\$ 805,000	\$ 705,000	\$ 395,000	\$ 345,000	\$ 1,200,000	\$ 1,050,000
Tax and Revenue refunding bonds	-	-	-	2,835,000	-	2,835,000
Note Payable	12,453	6,351	33,273	16,969	45,726	23,320
Public Property Note	-	791,813	-	-	-	791,813
	<u>\$ 817,453</u>	<u>\$ 1,503,164</u>	<u>\$ 428,273</u>	<u>\$ 3,196,969</u>	<u>\$ 1,245,726</u>	<u>\$ 4,700,133</u>

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

Economic Factors and Next Year's Budgets and Rates

In the 2020-21 Budget, General Fund budgeted revenues increased 20.06% from the 2019-20 budget year with host fees and property taxes making up 40.11% and 14.86% 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, 2020

	Primary Government			Component Units		
	Governmental	Business-Type	Total	Ferris 4A Economic Development Corporation	Ferris 4B Economic Development Corporation	Ferris Public Improvement District No. 1
	Activities	Activities				
ASSETS						
Cash & Cash Equivalents	\$ 2,993,722	\$ 1,976,048	\$ 4,969,770	\$ 643,887	\$ 530,332	\$ 1,010,587
Receivables (Net of Allowance for Uncollectible)	689,170	144,872	834,042	165,105	35,105	-
Due from Component Unit	47,686	-	47,686	-	-	-
Internal Balances	37,907	-	37,907	-	-	-
Capital Assets:						
Non-Depreciable	455,011	249,476	704,487	948,199	-	6,414,946
Depreciable (Net of Accumulated Depreciation)	6,622,451	3,253,229	9,875,680	469	-	-
Net Pension Asset	113,148	16,754	129,902	-	-	-
Total Assets	<u>10,959,095</u>	<u>5,640,379</u>	<u>16,599,474</u>	<u>1,757,660</u>	<u>565,437</u>	<u>7,425,533</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflow Related to TMRS	94,042	13,297	107,339	-	-	-
Deferred Outflows Related to OPEB	23,983	2,855	26,838	-	-	-
Total Deferred Outflows of Resources	<u>118,025</u>	<u>16,152</u>	<u>134,177</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES						
Current Liabilities:						
Accounts Payable &						
Other Current Liabilities	408,952	74,727	483,679	-	-	798,761
Accrued Payroll	150,088	17,995	168,083	-	-	-
Accrued Interest	29,772	17,641	47,413	9,593	-	19,485
Due to Component Unit	-	-	-	-	-	-
Due to Primary Government	-	37,907	37,907	22,942	20,768	3,976
Customer Deposits	-	71,741	71,741	-	-	-
Noncurrent Liabilities:						
Due Within One Year	221,694	143,182	364,876	680,452	-	66,288
Due in More than One Year	1,365,352	3,280,077	4,645,429	25,306	-	3,962,638
Net OPEB Liability	144,556	18,702	163,258	-	-	-
Total Liabilities	<u>2,320,414</u>	<u>3,661,972</u>	<u>5,982,386</u>	<u>738,293</u>	<u>20,768</u>	<u>4,851,148</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflow Related to TMRS	193,717	28,320	222,037	-	-	-
Deferred Inflows Related to OPEB	8,720	622	9,342	-	-	-
Deferred Inflow - Other	63,272	-	63,272	-	-	-
Total Deferred Inflows of Resources	<u>265,709</u>	<u>28,942</u>	<u>294,651</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Net Investment in Capital Assets	5,344,824	89,865	5,434,689	233,317	-	2,366,535
Restricted for:						
Debt Service	204,624	-	204,624	-	-	-
Public Safety	71,963	-	71,963	-	-	-
Economic Development	-	-	-	786,050	544,669	-
Municipal Development	-	-	-	-	-	207,850
Unrestricted	2,869,586	1,875,752	4,745,338	-	-	-
Total Net Position	<u>\$ 8,490,997</u>	<u>\$ 1,965,617</u>	<u>\$10,456,614</u>	<u>\$ 1,019,367</u>	<u>\$ 544,669</u>	<u>\$ 2,574,385</u>

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

CITY OF FERRIS, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2020

					Net (Expense)/Revenue & Change in Net Position					
								Component Units		
					Primary Government			Ferris 4A	Ferris 4B	Ferris
					Governmental	Business		Economic	Economic	Public
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Activities	Activities	Total	Development Corporation	Development Corporation	Improvement District No. 1
Primary Government										
Governmental Activities:										
General Government	\$ 1,643,951	\$ 2,677,521	\$ -	\$ -	\$ 1,033,570	\$ -	\$ 1,033,570	\$ -	\$ -	\$ -
Public Safety	3,284,483	1,033,061	58,202	-	(2,193,220)	-	(2,193,220)	-	-	-
Streets	313,882	-	-	12,812	(301,070)	-	(301,070)	-	-	-
Parks & Recreation	429,422	-	-	-	(429,422)	-	(429,422)	-	-	-
Interest & Fiscal Charges	58,028	-	-	-	(58,028)	-	(58,028)	-	-	-
Total Governmental Activities	5,729,766	3,710,582	58,202	12,812	(1,948,170)	-	(1,948,170)	-	-	-
Business-Type Activities:										
Water & Sewer	2,057,657	1,333,668	-	6,355	-	(717,634)	(717,634)	-	-	-
Total Business-Type Activities	2,057,657	1,333,668	-	6,355	-	(717,634)	(717,634)	-	-	-
Total Primary Government	\$ 7,787,423	5,044,250	58,202	19,167	(1,948,170)	(717,634)	(2,665,804)	-	-	-
Component Units										
Ferris 4A Economic Development Corp.	(177,564)	-	-	-				(177,564)	-	-
Ferris 4B Economic Development Corp.	(62,124)	-	-	-				-	(62,124)	-
Municipal Development District No. 1	(1,814,534)	-	1,092,861	2,366,535				-	-	1,644,862
Total Component Units	\$ (2,054,222)	-	1,092,861	2,366,535				(177,564)	(62,124)	1,644,862

General Revenues:						
Property Taxes	1,132,161	-	1,132,161	-	-	355,200
Sales Taxes	381,131	-	381,131	189,854	189,854	-
Franchise Taxes	135,165	-	135,165	-	-	-
Investment Earnings	9,415	121	9,536	1,167	888	13,380
Gain on Disposal of Capital Asset	122,902	2,166	125,068	6,000	-	-
Miscellaneous	850,551	-	850,551	23,960	-	-
Transfers	24,000	(24,000)	-	-	-	-
Total General Revenues & Transfers	<u>2,655,325</u>	<u>(21,713)</u>	<u>2,633,612</u>	<u>220,981</u>	<u>190,742</u>	<u>368,580</u>
Change in Net Position	707,155	(739,347)	(32,192)	43,417	128,618	2,013,442
Net Position - Beginning	7,783,842	2,704,964	10,488,806	975,950	416,051	522,293
Prior Period Adjustment	-	-	-	-	-	38,650
Net Position - Ending	<u>\$ 8,490,997</u>	<u>\$ 1,965,617</u>	<u>\$10,456,614</u>	<u>\$ 1,019,367</u>	<u>\$ 544,669</u>	<u>\$ 2,574,385</u>

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

CITY OF FERRIS, TEXAS

Balance Sheet

Governmental Funds

September 30, 2020

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 2,677,021	\$ 236,238	\$ 80,463	\$ 2,993,722
Receivables (Net of Allowance for Uncollectibles)	673,653	15,517	-	689,170
Due from Other Funds	78,021	-	-	78,021
Due from Component Unit	47,686	-	-	47,686
Total Assets	<u>\$ 3,476,381</u>	<u>\$ 251,755</u>	<u>\$ 80,463</u>	<u>\$ 3,808,599</u>
LIABILITIES				
Accounts Payable	\$ 408,952	\$ -	\$ -	\$ 408,952
Accrued Payroll Payable	150,088	-	-	150,088
Due to Other Funds	-	31,614	8,500	40,114
Total Liabilities	<u>559,040</u>	<u>31,614</u>	<u>8,500</u>	<u>599,154</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	47,755	15,517	-	63,272
Total Deferred Inflows of Resources	<u>47,755</u>	<u>15,517</u>	<u>-</u>	<u>63,272</u>
FUND BALANCES				
Restricted:				
Debt Service	-	204,624	-	204,624
Public Safety	-	-	71,963	71,963
Unassigned	2,869,586	-	-	2,869,586
Total Fund Balances	<u>2,869,586</u>	<u>204,624</u>	<u>71,963</u>	<u>3,146,173</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,476,381</u>	<u>\$ 251,755</u>	<u>\$ 80,463</u>	<u>\$ 3,808,599</u>

The notes to the 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, 2020

Total Fund Balances - Governmental Funds

\$ 3,146,173

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$11,951,038 and the accumulated depreciation was \$(5,796,058). In addition, long-term liabilities of \$(221,694) are not due and payable in the current period, and therefore, are not reported liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

5,792,538

Current year capital outlays of \$958,936 and long-term debt principal payments of \$106,102 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.

2,149,345

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(491,465)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, reclassifying the proceeds of financing sources as an increase in notes payable, recognizing accrued interest on debt, and recognizing the liabilities associated with compensated absences. The net effect of these reclassifications is to increase net position.

(36,316)

Included in the non-current liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$113,148, a deferred resource inflow in the amount of \$(193,016), and a deferred resource outflow in the amount of \$91,486. The net effect of these adjustments is an increase to net position.

11,618

Included in the non-current liabilities is the recognition of the City's net OPEB asset/liability required by GASB 75 in the amount of \$(130,542), a deferred resource inflow in the amount of \$(8,720), and a deferred resource outflow in the amount of \$23,983. The net effect of these adjustments is an increase to net position.

(115,279)

Net Position of Governmental Activities

\$ 10,456,614

CITY OF FERRIS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 901,333	\$ 201,110	\$ -	\$ 1,102,443
Sales	381,131	-	-	381,131
Franchise	135,165	-	-	135,165
Licenses & Permits	217,468	-	-	217,468
Fines & Forfeitures	987,350	-	45,711	1,033,061
Charges for Services	2,460,053	-	-	2,460,053
Grants & Contributions	12,812	-	-	12,812
Investment Earnings	8,580	819	16	9,415
Miscellaneous	46,179	-	-	46,179
Intergovernmental	58,202	-	-	58,202
Total Revenues	<u>5,208,273</u>	<u>201,929</u>	<u>45,727</u>	<u>5,455,929</u>
EXPENDITURES				
Current:				
General Government	1,329,719	-	-	1,329,719
Public Safety	3,268,675	-	14,115	3,282,790
Streets	236,242	-	-	236,242
Parks & Recreation	407,855	-	-	407,855
Debt Service:				
Principal Retirement	100,000	-	-	100,000
Interest & Fiscal Charges	31,426	-	-	31,426
Total Expenditures	<u>5,373,917</u>	<u>-</u>	<u>14,115</u>	<u>5,388,032</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(165,644)</u>	<u>201,929</u>	<u>31,612</u>	<u>67,897</u>
OTHER FINANCING SOURCES/(USES)				
Transfers Out	24,000	-	-	24,000
Debt Proceeds	791,813	-	-	791,813
Insurance Proceeds	12,559	-	-	12,559
Proceeds from Sale of Capital Assets	122,902	-	-	122,902
Total Other Financing Sources/(Uses)	<u>951,274</u>	<u>-</u>	<u>-</u>	<u>951,274</u>
Net Change in Fund Balances	785,630	201,929	31,612	1,019,171
Fund Balance - Beginning	<u>2,083,956</u>	<u>2,695</u>	<u>40,351</u>	<u>2,127,002</u>
Fund Balance - Ending	<u><u>\$2,869,586</u></u>	<u><u>\$ 204,624</u></u>	<u><u>\$ 71,963</u></u>	<u><u>\$3,146,173</u></u>

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

CITY OF FERRIS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020

Total Net Change in Fund Balance - Governmental Funds	\$ 1,019,171
Current year capital outlays of \$958,936 and long-term debt principal payments of \$106,102 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.	2,149,345
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(491,465)
The current year gain on disposal of capital outlays, should be shown as a reduction in capital assets and related accumulated depreciation. The net effect is to increase net assets.	122,902
Current year financing sources are considered revenues in the fund financial statements, but they should be shown as increases in non-current liabilities in the government-wide financial statements. The net effect is to decrease net assets.	(791,813)
Payment of compensated absences is reported as an expenditure in the governmental funds when actually paid. However, on the government-wide statement of changes in net position compensated absences are expensed as they are accrued. Change in the compensated absences liability.	13,109
The change in deferred revenue must be eliminated to convert from the modified accrual basis of accounting.	29,718
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.	26,602
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, reclassifying the proceeds of financing sources as an increase in notes payable, recognizing accrued interest on debt, and recognizing the liabilities associated with compensated absences. The net effect of these reclassifications is to decrease net position.	(1,326,029)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$87,495. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(70,806). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net	(58,733)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$3,211. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(2,534). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by (\$15,026).	14,348
Change in Net Position of Governmental Activities	<u>\$ 707,155</u>

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

CITY OF FERRIS, TEXAS
Statement of Net Position
Proprietary Fund
For the Year Ended September 30, 2020

	<u>Business-Type Activities</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 1,976,048
Receivables (Net of Allowance for Uncollectibles)	144,872
Due From Other Funds	<u>277,209</u>
Total Current Assets	<u>2,398,129</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation)	3,502,705
Net Pension Asset	<u>16,754</u>
Total Noncurrent Assets	<u>3,519,459</u>
 Total Assets	 <u><u>\$ 5,917,588</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to TMRS	13,297
Deferred Outflows Related to OPEB	<u>2,855</u>
Total Deferred Outflows of Resources	<u><u>\$ 16,152</u></u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 74,727
Accrued Payroll Payable	17,995
Due to Other Funds	315,116
Accrued Interest Payable	17,641
Customer Deposits	71,741
Long-Term Debt, Current Portion	<u>143,182</u>
Total Current Liabilities	<u>640,402</u>
Noncurrent Liabilities:	
Compensated Absences	10,419
Long-Term Debt	3,269,658
Net Pension Liability	-
Net OPEB Liability	<u>18,702</u>
Total Noncurrent Liabilities	<u>3,298,779</u>
 Total Liabilities	 <u><u>\$ 3,939,181</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to TMRS	28,320
Deferred Inflows Related to OPEB	<u>622</u>
Total Deferred Inflows of Resources	<u><u>\$ 28,942</u></u>
 NET POSITION	
Net Invested in Capital Assets	89,865
Unrestricted	<u>1,875,752</u>
Total Net Position	<u><u>\$ 1,965,617</u></u>

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

CITY OF FERRIS, TEXAS
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund
September 30, 2020

	Business-Type Activities
OPERATING REVENUES	
Water Service	\$ 648,578
Sewer Service	514,929
Surcharge	22,425
Tap Fees	94,468
Grants & Contributions	6,355
Miscellaneous	53,268
Total Operating Revenues	<u>1,340,023</u>
OPERATING EXPENSES	
Personnel Services	389,035
Professional Services	86,936
Water Production	526,094
Water Distribution	119,862
Sewer	313,337
Employee Development	1,344
Utilities & Communication	42,836
Insurance & Bonding	18,363
Capital Outlay	281,394
Depreciation	202,422
Total Operating Expenses	<u>1,981,623</u>
Operating Income/(Loss)	<u>(641,600)</u>
NONOPERATING REVENUES/(EXPENSES)	
Interest on Investments	121
Gain on Sale of Assets	2,166
Debt Issuance Costs	(50,000)
Interest & Fiscal Charges	(26,034)
Total Nonoperating Revenues/(Expenses)	<u>(73,747)</u>
Income/(Loss) Before Transfers	(715,347)
Transfers In/Out	<u>(24,000)</u>
Change in Net Position	(739,347)
Net Position - Beginning	<u>2,704,964</u>
Net Position - Ending	<u><u>\$ 1,965,617</u></u>

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

CITY OF FERRIS, TEXAS

Statement Cash Flows

Proprietary Fund

September 30, 2020

	Business-Type Activities
Cash Flows from Operating Activities	
Receipts from Customers & Users	\$ 1,241,009
Payments to Suppliers	(1,181,230)
Payments to Employees	(477,715)
Net Cash Provided by/(Used in) Operating Activities	(417,936)
Cash Flows from Noncapital Financing Activities	
Repayment of Advances from Other Funds	220,649
Transfers (to)/from Other Funds	(24,000)
Net Cash Provided by/(Used in) Noncapital Financing Activities	196,649
Cash Flows from Capital & Related Financing Activities	
Acquisition & Construction of Capital Assets	(1,021,784)
Proceeds from Issuance of Debt	3,050,871
Principal Paid on Debt	(66,304)
Interest & Fiscal Charges Paid	(76,034)
Net Cash Provided by/(Used in) Capital & Related Financing Activities	1,886,749
Cash Flows from Investing Activities	
Interest on Investments	28,883
Net Cash Provided by/(Used in) Investing Activities	28,883
Net Increase/(Decrease) in Cash & Cash Equivalents	1,694,345
Cash & Cash Equivalents - Beginning	281,703
Cash & Cash Equivalents - Ending	\$ 1,976,048
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities	
Operating Income/(Loss)	\$ (641,600)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities:	
Depreciation	202,422
(Increase)/Decrease in Accounts Receivable	(99,014)
(Increase)/Decrease in Net Pension Asset	(16,754)
(Increase)/Decrease in Deferred Outflows of Resources	19,070
Increase/(Decrease) in Accounts Payable	(212,507)
Increase/(Decrease) in Accrued Payroll	10,385
Increase/(Decrease) in Accrued Interest	14,840
Increase/(Decrease) in Due to Other Funds	315,116
Increase/(Decrease) in Compensated Absences	(5,545)
Increase/(Decrease) in Customer Deposits	4,551
Increase/(Decrease) in Net Pension Liability	(33,834)
Increase/(Decrease) in Deferred Inflows of Resources	24,934
Total Adjustments	223,664
Net Cash Provided by/(Used in) Operating Activities	\$ (417,936)

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

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 provide 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.

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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reporting Entity *(continued)*

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.

Government-Wide & Fund 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 previously noted, 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.

Generally, 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.

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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government-Wide & Fund Financial Statements *(continued)*

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.

Measurement Focus and Basis of Accounting

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

The government-wide 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).

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus and Basis of Accounting *(continued)*

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.

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

Cash & 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

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 0.2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end

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>Asset</u>	<u>Years</u>
Buildings	45
Improvements	25
Machinery & Equipment	3-6
Infrastructure	25

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance
(continued)

Deferred Inflows/Outflows 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.

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 payables are reported net of the applicable bond premium or discount.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance
(continued)

Long-Term Obligations *(continued)*

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.

Net Position Flow Assumption

Net position represents 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."

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.

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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance
(continued)

Fund Balance Flow Assumption *(continued)*

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.

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.

Revenues and Expenditures/Expenses

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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenues and Expenditures/Expenses *(continued)*

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.

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.

Proprietary Funds Operating & 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.

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, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenues and Expenditures/Expenses *(continued)*

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

DETAILED NOTES ON ALL ACTIVITIES and FUNDS

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 \$6,287,026. Of the bank balance, \$450,915 was covered by federal depository insurance and the remaining balance, \$1,965,000 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 \$2,198,246.

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 rates 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.

Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS (continued)

Receivables (continued)

Below is the detail of receivables for the general and water and wastewater funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General	Debt Service	Water & Sewer	EDC	Total
Receivables:					
Property Taxes	\$ 120,804	\$ 15,834	\$ -	\$ -	\$ 136,638
Sales Taxes	-	-	-	70,210	70,210
Notes Receivable	-	-	-	130,000	130,000
Accounts Receivable	553,824	-	-	-	553,824
Utility Bills	-	-	205,207	-	205,207
Gross Receivables	674,628	15,834	205,207	200,210	1,095,879
Less: Allowance for Uncollectibles	(975)	(317)	(60,335)	-	(61,627)
Net Total Receivables	<u>\$ 673,653</u>	<u>\$ 15,517</u>	<u>\$ 144,872</u>	<u>\$ 200,210</u>	<u>\$ 1,034,252</u>

Capital Assets

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 432,313	\$ -	\$ -	\$ 432,313
Construction in Progress	22,698	-	-	22,698
Total Capital Assets Not Being Depreciated	<u>455,011</u>	<u>-</u>	<u>-</u>	<u>455,011</u>
Capital Assets Being Depreciated:				
Buildings	1,928,925	29,554	-	1,958,479
Improvements	195,325	-	-	195,325
Machinery & Equipment	2,053,349	856,962	-	2,910,311
Infrastructure	7,773,439	72,420	-	7,845,859
Total Capital Assets Being Depreciated	<u>11,951,038</u>	<u>958,936</u>	<u>-</u>	<u>12,909,974</u>
Less Accumulated Depreciation for:				
Buildings	(845,862)	(59,010)	-	(904,872)
Improvements	(81,786)	(19,379)	-	(101,165)
Machinery & Equipment	(1,675,131)	(168,387)	-	(1,843,518)
Infrastructure	(3,193,279)	(244,689)	-	(3,437,968)
Total Accumulated Depreciation	<u>(5,796,058)</u>	<u>(491,465)</u>	<u>-</u>	<u>(6,287,523)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,154,980</u>	<u>467,471</u>	<u>-</u>	<u>6,622,451</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,609,991</u>	<u>467,471</u>	<u>-</u>	<u>7,077,462</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS (continued)

Capital Assets (continued)

Depreciation expense was charged to functional programs of governmental activities of primary government as follows:

Governmental Activities

General Government	\$ 356,886
Public Safety	1,693
Cultural and recreational	111,319
Public works	21,567
Total Depreciation Expense - Governmental Activities	<u>\$ 491,465</u>

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 27,817	\$ -	\$ -	\$ 27,817
Construction in Progress	351,837	887,800	(1,017,978)	221,659
Total Capital Assets Not Being Depreciated	<u>379,654</u>	<u>887,800</u>	<u>(1,017,978)</u>	<u>249,476</u>
Capital Assets Being Depreciated:				
Buildings	179,276	23,037		202,313
Improvements	5,949,258	1,030,968	-	6,980,226
Machinery & Equipment	405,633	97,957	-	503,590
Total Capital Assets Being Depreciated	<u>6,534,167</u>	<u>1,151,962</u>	<u>-</u>	<u>7,686,129</u>
Less Accumulated Depreciation for:				
Buildings	(148,867)	(6,360)	-	(155,227)
Improvements	(3,799,437)	(155,980)	-	(3,955,417)
Machinery & Equipment	(282,174)	(40,082)	-	(322,256)
Total Accumulated Depreciation	<u>(4,230,478)</u>	<u>(202,422)</u>	<u>-</u>	<u>(4,432,900)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,303,689</u>	<u>949,540</u>	<u>-</u>	<u>3,253,229</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,683,343</u>	<u>1,837,340</u>	<u>(1,017,978)</u>	<u>3,502,705</u>

Depreciation expense was charged to functional programs of governmental activities of primary government as follows:

Business-Type Activities

Water & Sewer	\$ 202,422
Total Depreciation Expense - Business-Type Activities	<u>\$ 202,422</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Capital Assets *(continued)*

As of September 30, 2020, the City has active construction projects for water improvements. At year end the City's commitments with contractors are as follows:

Projects	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
I-45 Bore	\$ 75	\$ 249,925
Repair of North Pasture Well	40,409	79,591
Lift Staton #3 Improvements	8,180	480,620
First Street Sewer	134,072	206,927
Downtown Pump Station	30,738	269,262
Water Improvement	8,185	307,381
	<u>\$ 221,659</u>	<u>\$1,593,706</u>

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.

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, 2020 are shown below:

<u>Year Ending September 30</u>	<u>Monthly</u>	<u>Annual</u>
2021	26,787	\$ 321,444
2022	26,787	321,444
2023	26,787	321,444
2024	26,787	321,444
2025	26,787	321,444
2026-2030	26,787	1,607,220
2031-2035	26,787	1,607,220
2036	26,787	321,444
		<u>\$5,143,104</u>

Expenses incurred for the year ended September 30, 2020, were \$321,444. 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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Significant Commitments *(continued)*

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>
2021	\$ 3,726
2022	3,780
2023	3,834
2024	3,888
2025	3,978
2026-2030	20,472
2031	4,278
	<u>\$43,956</u>

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>
2021	\$ 189,435
2022	189,435
2023	189,435
2024	189,435
2025	189,435
2026-2030	947,175
2031-2032	378,870
	<u>\$2,273,220</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Significant Commitments *(continued)*

Incurred expenses for the year ended September 30, 2020 were \$189,435.

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.

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, 2020.

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	\$4,184

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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Tax Abatements *(continued)*

The City's agreements were as follows at September 30, 2020:

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, 2020.

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.

Long-Term Liabilities

Notes Payable

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

Note payable with a note amount of \$19,063. Interest payable at 4.08% interest rate. Note matures on 01/24/2021 and it is secured by a vehicle. \$ 6,351

Property note with a note amount of \$791,813. Interest payable at 3.67% interest rate and note matures on 10/25/2034. 791,813
\$ 798,164

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Long-Term Liabilities *(continued)*

Notes Payable *(continued)*

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

Note payable with a note amount of \$50,934. Interest payable at 4.08% interest rate. The note matures on 01/24/2021 and it is secured by a vehicle.	\$ 16,969
	<u>\$ 16,969</u>

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:

2011 Series Certificates of Obligation with issue amount of \$1,500,000. Interest payable February 1 and August 1 at a 2.00% to 4.05% interest rate and matures on 03/01/2026.	\$ 705,000
	<u>\$ 705,000</u>

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

2006 Series Certificates of Obligation with an issue amount of \$850,000. Interest payable February 15 and August 15 at a 4.60% interest rate and matures on 03/01/2026.	\$ 345,000
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2020 Series Certificates of Obligation with an issue amount of \$2,835,000. Interest payable February 15 and August 15 at a 3.00% - 4.00% interest rate and matures on	2,835,000
	<u>\$ 3,180,000</u>

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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Long-Term Liabilities *(continued)*

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, 2020 is:

Special Assessment Revenue Bonds, Series 2018 \$4,065,000

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2020 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
Certificate of Obligation	\$ 805,000	\$ -	\$ (100,000)	\$ 705,000	\$ 105,000
Issuance discount/Premium	20,394	-	(3,158)	17,236	3,158
Total Bonds Payable	825,394	-	(103,158)	722,236	108,158
Note Payable	12,453	-	(6,102)	6,351	6,351
Public Property Note	-	791,813	-	791,813	40,539
Compensated Absences	79,755	62,800	(75,909)	66,646	66,646
Total	<u>\$ 917,602</u>	<u>\$ 854,613</u>	<u>\$ (185,169)</u>	<u>\$1,587,046</u>	<u>\$ 221,694</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Long-Term Liabilities *(continued)*

Changes in Long-Term Liabilities *(continued)*

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	Retirements	Ending Balance	Due Within One Year
Business-Type Activities					
Bonds Payable:					
Certificates of Obligation	\$ 395,000	\$ -	\$ (50,000)	\$ 345,000	\$ 50,000
Tax and Revenue Refunding	-	2,835,000	-	2,835,000	55,000
Issuance discount/Premium	-	215,871	-	215,871	10,794
Total Bonds Payable	395,000	3,050,871	(50,000)	3,395,871	115,794
Note Payable	33,273	-	(16,304)	16,969	16,969
Compensated Absences	5,868	20,550	(15,999)	10,419	10,419
Total	<u>\$ 434,141</u>	<u>\$ 3,071,421</u>	<u>\$ (82,303)</u>	<u>\$ 3,423,259</u>	<u>\$ 143,182</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.

Annual debt service requirements to maturity are as follows:

	Governmental Activities				
	Certificates of Obligation		Note Payable		
	Principal	Interest	Principal	Interest	Total
2021	\$ 105,000	\$ 27,325	\$ 46,890	\$ 29,279	\$ 208,494
2022	110,000	23,025	42,024	27,534	202,583
2023	115,000	18,381	43,564	25,994	202,939
2024	120,000	13,388	45,161	24,397	202,946
2025	125,000	8,181	46,816	22,742	202,739
2026-2030	130,000	2,763	261,111	86,681	480,555
2031-2035	-	-	312,598	35,194	347,792
	<u>\$ 705,000</u>	<u>\$ 93,063</u>	<u>\$ 798,164</u>	<u>\$ 251,821</u>	<u>\$ 1,848,048</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Long-Term Liabilities *(continued)*

Changes in Long-Term Liabilities *(continued)*

	Business-Type Activities				Total
	Certificates of Obligation		Note Payable		
	Principal	Interest	Principal	Interest	
2021	\$ 105,000	\$ 147,849	\$ 16,969	\$ 692	\$ 252,849
2022	160,000	106,960	-	-	266,960
2023	165,000	102,470	-	-	267,470
2024	175,000	97,830	-	-	272,830
2025	175,000	93,000	-	-	268,000
2026-2030	700,000	396,245	-	-	1,096,245
2031-2035	765,000	266,100	-	-	1,031,100
2036-2040	935,000	96,100	-	-	1,031,100
	<u>\$ 3,180,000</u>	<u>\$1,306,554</u>	<u>\$ 16,969</u>	<u>\$ 692</u>	<u>\$4,486,554</u>

Interfund Receivables and Payables

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Water & Sewer	Water and Sewer	\$ 277,209
General	Water and Sewer	37,907
General	NMF	8,500
General	4A EDC	22,942
General	4B EDC	20,768
General	PID1	3,976
General	Debt Service	31,614
		<u>\$ 402,916</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.

Interfund Transfers

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

	Transfers In			Total
	General Fund	Water & Sewer	Capital Projects	
Transfers Out:				
General Fund	\$ -	\$ 24,000	\$ -	\$ 24,000
Water & Sewer	-	-	406,148	406,148
Total	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 406,148</u>	<u>\$ 430,148</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Interfund Transfers *(continued)*

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

Related Party Transactions

The significant transactions between the primary government and its component units during the year ended September 30, 2020 consisted of administrative services provided by the City in the amount of \$15,792 for the Ferris 4A Economic Development Corporation and \$15,792 for the Ferris 4B 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, 2020 consisted of \$13,390 from the Ferris 4A Economic Development Corporation and \$13,390 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.

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.

Subsequent Events

Subsequent to the 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.

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 \$623,078. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$373,078 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 \$531,383.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Discretely Presented Component Units *(continued)*

1. Ferris 4A Economic Development Corporation Fund *(continued)*

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, 2020 was \$130,000.

Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 948,199	\$ -	\$ -	\$ 948,199
Total Capital Assets Not Being Depreciated	948,199	-	-	948,199
Capital Assets Being Depreciated:				
Machinery & Equipment	1,483	-	-	1,483
Total Capital Assets Being Depreciated	1,483	-	-	1,483
Less Accumulated Depreciation for:				
Machinery & Equipment	(717)	(297)	-	(1,014)
Total Accumulated Depreciation	(717)	(297)	-	(1,014)
Total Capital Assets, Being Depreciated, Net	766	(297)	-	469
Governmental Activities Capital Assets, Net	\$ 948,965	\$ (297)	\$ -	\$ 948,668

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.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Note Payable	\$ 729,718	\$ -	\$ (23,960)	\$ 705,758	\$ 25,306
Total	\$ 729,718	\$ -	\$ (23,960)	\$ 705,758	\$ 25,306

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS *(continued)*

Discretely Presented Component Units *(continued)*

1. Ferris 4A Economic Development Corporation Fund *(continued)*

Note Payable *(continued)*

	Note Payable	
	Principal	Interest
2021	\$ 25,306	\$ 38,301
2022	26,726	36,880
2023	28,230	35,379
2024	29,812	33,795
2025	31,486	32,121
2026-2030	186,014	132,017
2031-2035	244,435	73,596
2036-2038	133,749	9,363
	<u>\$ 705,758</u>	<u>\$ 391,452</u>

Subsequent Events

Subsequent to the year end the Corporation approved a feasibility study for approximately \$15,000.

2. Ferris 4B Economic Development Corporation Fund

Cash Deposits with Financial Institutions

At year end the bank balance of the Corporation's deposits was \$509,228. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$259,228 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 \$335,610.

3. Ferris Public Improvement District No. 1

Capital Assets

Construction in progress for the year totaled \$6,414,946.

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	3,111,299	\$ 3,303,647	\$ -	\$ 6,414,946
Total Capital Assets Not Being Depreciated	3,111,299	3,303,647	-	6,414,946
Governmental Activities Capital Assets, Net	<u>\$ 3,111,299</u>	<u>\$ 3,303,647</u>	<u>\$ -</u>	<u>\$ 6,414,946</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DETAILED NOTES ON ALL ACTIVITIES and FUNDS (continued)

Discretely Presented Component Units (continued)

3. Ferris Public Improvement District No. 1 (continued)

Special Assessment Revenue Bonds

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

2018 special revenue assessment bond with an issue amount of \$4,125,000. Interest payable February 15 and August 15 at 4.875% - 6.00% interest rate.

\$ 4,065,000

Changes in the District's long-term liabilities for the year ended September 30, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable:					
Special Assessment Revenue Bond	\$4,125,000	\$ -	\$ (60,000)	\$4,065,000	\$ 65,000
Issuance discount/Premium	(37,362)	-	1,288	(36,074)	1,288
Total Bonds Payable	<u>\$4,087,638</u>	<u>\$ -</u>	<u>\$ (58,712)</u>	<u>\$4,028,926</u>	<u>\$ 66,288</u>

	<u>Special Assessment Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 65,000	\$ 241,650
2022	65,000	238,481
2023	70,000	235,313
2024	70,000	231,900
2025	75,000	227,700
2026-2030	450,000	1,065,000
2031-2035	595,000	914,100
2036-2040	800,000	712,500
2041-2045	1,065,000	442,200
2046-2048	810,000	99,000
	<u>\$ 4,065,000</u>	<u>\$4,407,844</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, 2020 reimbursements paid to the Developer totaled \$3,814,802.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

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 annual comprehensive financial report that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information: There were no benefit changes during the year.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Texas Municipal Retirement System *(continued)*

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	31
Inactive Employees Entitled to but Not Yet Receiving Benefits	73
Active Employees	46
	<hr/> 150

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 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ferris, Texas were 5.31% and 5.45% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$125,489, and were equal to the required contributions.

Net Pension Liability (Asset)

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall Payroll Growth	3.5% to 11.5% 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.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Texas Municipal Retirement System *(continued)*

Net Pension Liability (Asset) *(continued)*

Actuarial Assumptions *(continued)*

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real</u>
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	100.0%	

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Texas Municipal Retirement System *(continued)*

Net Pension Liability (Asset) *(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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 3,849,877	\$ 3,548,699	\$ 301,178
Changes for the Year:			
Service Cost	200,643	-	200,643
Interest	258,901	-	258,901
Change of Benefit Terms	-	-	-
Difference Between Expected & Actual Experience	(145,342)	-	(145,342)
Changes of Assumptions	6,576	-	6,576
Contributions - Employer	-	106,470	(106,470)
Contributions - Employee	-	100,121	(100,121)
Net Investment Income	-	548,460	(548,460)
Benefit Payments, Including Refunds of Employee Contributions	(229,252)	(229,252)	-
Administrative Expenses	-	(3,100)	3,100
Other Changes	-	(93)	93
Net Changes	91,526	522,606	(431,080)
Balance at 12/31/2019	\$ 3,941,403	\$ 4,071,305	\$ (129,902)

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 417,457	\$ (129,902)	\$ (569,831)

Pension Plan Fiduciary Net Position

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

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Texas Municipal Retirement System *(continued)*

Net Pension Liability (Asset) *(continued)*

Payables to the Pension Plan

Legally required contributions outstanding at the end of the year totaled \$7,883.

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

For the year ended September 30, 2020, the City recognized pension expense of \$58,105.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ -	\$ 96,436
Changes in Actuarial Assumptions	4,332	-
Difference Between Projected & Actual Investment Earnings (net of current year amortization)	-	124,900
Contributions Subsequent to the Measurement Date	100,451	-
Total	<u>\$ 104,783</u>	<u>\$ 221,336</u>

\$100,451 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	
September 30	
2020	\$ (84,901)
2021	(80,835)
2022	10,516
2023	(61,784)
Total	<u>\$ (217,004)</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Texas Emergency Services Retirement System

Plan Description & 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 Annual Comprehensive 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.

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, 2020, total contributions to the plan were \$2,592.

Net Pension Liability

At September 30, 2020, the City reported a liability of \$19,317 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2019, 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, 2019, relative to the contributions of all participating entities. At August 31, 2018, the City's portion was 0.056%.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Texas Emergency Services Retirement System *(continued)*

Pension Expense & Deferred Inflows/Outflows or Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$20,748.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Subsequent to the Measurement Date	\$ 2,592	\$ -
Changes in Actuarial Assumptions	45	-
Difference Between Projected & Actual Investment Earnings	-	665
Difference Between Expected & Actual Economic Experience	3	35
Total	<u>\$ 2,640</u>	<u>\$ 700</u>

\$2,592 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, 2020. 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>	
2020	\$ (547)
2021	(440)
2022	(469)
2023	(484)
Total	<u>\$ (1,940)</u>

OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS

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 annual comprehensive financial report that can be obtained at www.tmrs.com.

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS *(continued)*

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.

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	22
Inactive Employees Entitled to but Not Yet Receiving Benefits	8
Active Employees	46
	<hr/> 76

Total OPEB Liability

The City's total OPEB liability of \$149,244 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS *(continued)*

Total OPEB Liability *(continued)*

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

	<u>Increase/(Decrease)</u> Total OPEB Liability (a)
Balance at 12/31/2018	\$ 110,393
Changes for the Year:	
Service Cost	11,614
Interest	4,285
Difference Between Expected & Actual Experience	1,810
Changes of Assumptions	22,544
Benefit Payments, Including Refunds of Employee Contributions	(1,402)
Net Changes	38,851
Balance at 12/31/2019	<u>\$ 149,244</u>

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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Net Pension Liability/(Asset)	\$ 177,326	\$ 149,244	\$ 127,592

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$18,653. At September 30, 2020, the City reported deferred outflows of resources and related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ 1,489	5,346
Changes in Actuarial Assumptions	21,663	3,996
Difference Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	3,686	-
Total	<u>\$ 26,838</u>	<u>9,342</u>

CITY OF FERRIS, TEXAS
Notes to the Financial Statements
September 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS *(continued)*

OPEB Expense & Deferred Inflows/Outflows of Resources Related to OPEB *(continued)*

\$3,686 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, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30	
2021	\$ 2,754
2022	2,708
2023	1,266
2024	4,318
2025	2,764
Thereafter	-
	<u>\$13,810</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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 906,338	\$ 908,838	\$ 901,333	\$ (7,505)
Sales	286,165	331,290	381,131	49,841
Franchise	125,000	113,200	135,165	21,965
Licenses & Permits	62,705	168,074	217,468	49,394
Fines & Forfeitures	424,725	612,100	987,350	375,250
Charges for Services	1,500,000	2,250,000	2,460,053	210,053
Grants & Contributions	12,600	10,600	12,812	2,212
Investment Earnings	500	1,255	8,580	7,325
Miscellaneous	48,700	58,325	46,179	(12,146)
Intergovernmental	105,744	104,108	58,202	(45,906)
Total Revenues	<u>3,472,477</u>	<u>4,557,790</u>	<u>5,208,273</u>	<u>650,483</u>
EXPENDITURES				
Current:				
General Government	818,660	1,204,917	1,329,719	(124,802)
Public Safety:				
Police Protection	1,128,927	1,206,367	209,065	997,302
Code Enforcement	62,451	174,473	1,522,906	(1,348,433)
Animal Control	78,684	77,558	223,259	(145,701)
Municipal Court	146,945	189,986	40,999	148,987
Fire Protection	681,330	799,526	338,779	460,747
Total Public Safety	<u>2,098,336</u>	<u>2,447,910</u>	<u>2,335,008</u>	<u>112,902</u>
Streets	270,321	231,111	236,242	(5,131)
Parks & Recreation	294,126	419,267	407,855	11,412
Capital Outlay	93,433	-	-	-
Debt Service	-	-	131,426	(131,426)
Total Expenditures	<u>3,574,877</u>	<u>4,303,205</u>	<u>4,440,250</u>	<u>(137,045)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(102,400)</u>	<u>254,585</u>	<u>768,023</u>	<u>513,438</u>
OTHER FINANCING SOURCES/(USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	24,000	24,000
Debt Proceeds	-	-	791,813	
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>815,813</u>	<u>24,000</u>
Net Change in Fund Balances	(102,400)	254,585	1,583,836	537,438
Fund Balance - Beginning	<u>2,083,956</u>	<u>2,083,956</u>	<u>2,083,956</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,981,556</u>	<u>\$ 2,338,541</u>	<u>\$ 3,667,792</u>	<u>\$ 537,438</u>

CITY OF FERRIS, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
For the Fiscal Year Ended September 30, 2020
Last Six Fiscal Years

	Plan Year Ended December 31,		
	2019	2018	2017
Total Pension Liability			
Service cost	\$ 200,643	\$ 164,287	\$ 164,523
Interest (on the total pension liability)	258,901	245,626	245,626
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(145,342)	(3,069)	(3,069)
Change of assumptions	6,576	-	-
Benefit payments, including refunds of employee contributions	(229,252)	(227,446)	(227,446)
Net Change in Total Pension Liability	91,526	179,398	179,634
Total Pension Liability - Beginning	3,849,877	3,670,479	3,554,144
Total Pension Liability - Ending (a)	<u>\$ 3,941,403</u>	<u>\$ 3,849,877</u>	<u>\$ 3,733,778</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 106,470	\$ 97,062	\$ 101,177
Contributions - employee	100,121	82,806	79,633
Net investment income	548,460	(111,097)	461,079
Benefit payments, including refunds of employee contributions	(229,252)	(227,446)	(256,416)
Administrative expense	(3,100)	(2,148)	(2,389)
Other	(93)	(111)	(120)
Net Change in Plan Fiduciary Net Position	522,606	(160,934)	382,964
Plan Fiduciary Net Position - Beginning	3,548,699	3,709,633	3,326,669
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,071,305</u>	<u>\$ 3,548,699</u>	<u>\$ 3,709,633</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (129,902)</u>	<u>\$ 301,178</u>	<u>\$ 24,145</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.30%	92.18%	99.35%
Covered Employee Payroll	\$ 2,002,427	\$ 1,656,121	\$ 1,592,670
Net Pension Liability as a Percentage of Covered Employee Payroll	-6.49%	18.19%	1.52%

2016	2015	2014
\$ 170,877	\$ 180,871	\$ 157,389
230,569	232,113	224,607
-	-	-
(86,304)	(124,273)	(70,569)
-	27,891	-
(182,787)	(240,556)	(191,312)
132,355	76,046	120,115
3,421,789	3,345,743	3,225,628
<u>\$ 3,554,144</u>	<u>\$ 3,421,789</u>	<u>\$ 3,345,743</u>
\$ 107,196	\$ 101,254	\$ 83,861
81,061	84,519	81,736
210,393	4,672	172,835
(182,787)	(240,556)	(191,312)
(2,376)	(2,846)	(1,804)
(128)	(139)	(148)
213,359	(53,096)	145,168
3,113,310	3,166,406	3,021,238
<u>\$ 3,326,669</u>	<u>\$ 3,113,310</u>	<u>\$ 3,166,406</u>
<u>\$ 227,475</u>	<u>\$ 308,479</u>	<u>\$ 179,337</u>
	90.98%	94.64%
93.60%		
\$ 1,621,223	\$ 1,690,384	\$1,634,722
14.03%	18.25%	10.97%

CITY OF FERRIS, TEXAS
Schedule of Contributions
Texas Municipal Retirement System
Last Six Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 125,489	\$ 104,028	\$ 99,458
Contributions in relation to actuarially determined contribution	<u>(125,489)</u>	<u>(104,028)</u>	<u>(99,458)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,314,664	\$ 1,918,245	\$ 1,664,637
Contributions as a percentage of covered employee payroll	5.42%	5.42%	5.97%

2017	2016	2015
\$ 99,017	\$ 110,315	\$ 98,220
(99,017)	(110,315)	(98,220)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,551,748	\$ 1,708,629	\$1,705,659
6.38%	6.46%	5.76%

CITY OF FERRIS, TEXAS
Schedule of the City's Contributions – As Nonemployer Contributing Entity
Texas Emergency Services Retirement System
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.056	0.096	0.048	0.104
City's proportionate share of the net pension liability	\$ 14,014	\$ 20,784	\$ 11,433	\$ 30,293
Plan fiduciary net position as a percentage of the total pension liability	82.21%	84.26%	81.16%	66.16%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 2,592	\$ 3,034	\$ 5,170	\$ 3,093
Contributions in relation to the statutorily required contribution	<u>2,592</u>	<u>3,034</u>	<u>5,170</u>	<u>3,093</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -

<u>2015</u>	<u>2014</u>
0.104	0.062

\$27,761	\$11,266
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65.99%	83.46%
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<u>2016</u>	<u>2015</u>
\$ 9,237	\$ 3,420

<u>9,237</u>	<u>3,420</u>
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\$ -	\$ -
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CITY OF FERRIS, TEXAS
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Three Fiscal Years

	Plan Year Ended December 31,		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 11,614	\$ 11,096	\$ 9,875
Interest (on the total OPEB liability)	4,285	3,879	3,638
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,810	(8,946)	-
Change of assumptions	22,544	(6,686)	7,859
Benefit payments, including refunds of employee contributions	(1,402)	(1,159)	(956)
Net Change in Total OPEB Liability	38,851	(1,816)	20,416
Total OPEB Liability - Beginning	110,393	112,209	91,793
Total OPEB Liability - Ending	<u>\$ 149,244</u>	<u>\$ 110,393</u>	<u>\$ 112,209</u>
 Covered Payroll	 \$2,002,427	 \$1,656,121	 \$1,592,670
 Total OPEB Liability as a Percentage of Covered Payroll	 7.45%	 6.67%	 7.05%

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, 2020

	Non-Major Special Revenue	Non-Major Debt Service	Total Non-Major Governmental Funds
ASSETS			
Cash & Cash Equivalents	\$ 80,463	\$ 236,238	\$ 316,701
Receivables (Net of Allowance for Uncollectibles)	-	15,517	15,517
Total Assets	<u>\$ 80,463</u>	<u>\$ 251,755</u>	<u>\$ 332,218</u>
LIABILITIES			
Due to Other Funds	\$ 8,500	\$ 31,614	\$ 40,114
Total Liabilities	<u>8,500</u>	<u>31,614</u>	<u>40,114</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	15,517	15,517
Total Deferred Inflows of Resources	<u>-</u>	<u>15,517</u>	<u>15,517</u>
FUND BALANCES			
Restricted:			
Debt Service	-	204,624	204,624
Public Safety	71,963	-	71,963
Total Fund balance	<u>71,963</u>	<u>204,624</u>	<u>276,587</u>
Total Liabilities and Fund Balances	<u>\$ 80,463</u>	<u>\$ 251,755</u>	<u>\$ 332,218</u>

CITY OF FERRIS, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended September 30, 2020

	Non-Major Special Revenue	Non-Major Debt Service	Total Non-Major Governmental Funds
REVENUES			
Property Taxes	\$ -	\$ 201,110	\$ 201,110
Fines and Forfeitures	45,711	-	45,711
Investment Earnings	16	819	835
Total Revenues	<u>45,727</u>	<u>201,929</u>	<u>247,656</u>
EXPENDITURES			
Public Safety	<u>14,115</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>14,115</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	31,612	201,929	233,541
Fund Balances - Beginning	40,351	2,695	43,046
Fund Balances - Ending	<u>\$ 71,963</u>	<u>\$ 204,624</u>	<u>\$ 276,587</u>

CITY OF FERRIS, TEXAS
Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2020

	Court Technology	Court Security	Total
ASSETS			
Cash & Cash Equivalents	\$ 26,107	\$ 54,356	\$ 80,463
Total Assets	<u>\$ 26,107</u>	<u>\$ 54,356</u>	<u>\$ 80,463</u>
FUND BALANCES			
Restricted:			
Public Safety	\$ 17,607	\$ 54,356	\$ 71,963
Total Fund balance	<u>17,607</u>	<u>54,356</u>	<u>71,963</u>
Total Liabilities & Fund Balances	<u>\$ 17,607</u>	<u>\$ 54,356</u>	<u>\$ 71,963</u>

CITY OF FERRIS, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended September 30, 2020

	Court Technology	Court Security	Total
REVENUES			
Fines and Forfeitures	\$ 21,981	\$ 23,730	\$ 45,711
Investment Earnings	3	13	16
Total Revenues	<u>21,984</u>	<u>23,743</u>	<u>45,727</u>
EXPENDITURES			
Public Safety	<u>14,115</u>	-	<u>14,115</u>
Total Expenditures	<u>14,115</u>	<u>-</u>	<u>14,115</u>
Net Change in Fund Balances	7,869	23,743	31,612
Fund Balances - Beginning	<u>9,738</u>	<u>30,613</u>	<u>40,351</u>
Fund Balances - Ending	<u>\$ 17,607</u>	<u>\$ 54,356</u>	<u>\$ 71,963</u>

CITY OF FERRIS, TEXAS
Combining Statement of Revenues and Expenditures – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended September 30, 2020

	Final Budgeted Amounts	Actual amounts	Variance with Final Budget
REVENUES			
Property Taxes	\$ 198,445	\$ 201,110	\$ (2,665)
Investment Earnings	-	819	(819)
Total Revenues	<u>198,445</u>	<u>201,929</u>	<u>(3,484)</u>
EXPENDITURES			
Public Safety	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	198,445	-	198,445.00
Total Other Financing Sources (Uses)	<u>198,445</u>	<u>-</u>	<u>198,445.00</u>
Net Change in Fund Balances	-	201,929	(201,929)
Fund Balances - Beginning	2,695	2,695	-
Fund Balances - Ending	<u>\$ 2,695</u>	<u>\$ 204,624</u>	<u>\$ (201,929)</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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Water Service	\$ 700,000	\$ 1,474,110	\$ 648,578	\$ (825,532)
Sewer Service	559,000	500,000	514,929	14,929
Surcharge	73,300	25,890	94,468	68,578
Tap Fees	18,000	21,600	22,425	825
Grants & Contributions	-	211,361	6,355	(205,006)
Miscellaneous	43,000	-	53,268	53,268
Total Operating Revenues	<u>1,393,300</u>	<u>2,232,961</u>	<u>1,340,023</u>	<u>(892,938)</u>
OPERATING EXPENSES				
Personnel Services	365,675	381,886	389,035	(7,149)
Professional Services	10,000	33,371	86,936	(53,565)
Water Production	300,000	342,000	526,094	(184,094)
Water Distribution	205,463	416,759	119,862	296,897
Sewer	310,000	307,000	313,337	(6,337)
Employee Development	500	1,300	1,344	(44)
Utilities & Communication	47,470	40,970	42,836	(1,866)
Insurance & Bonding	17,281	18,364	18,363	1
Capital Outlay	1,299,172	614,285	281,394	332,891
Depreciation	-	-	202,422	(202,422)
Total Operating Expenses	<u>2,555,561</u>	<u>2,155,935</u>	<u>1,981,623</u>	<u>174,312</u>
Operating Income/(Loss)	<u>(1,162,261)</u>	<u>77,026</u>	<u>(641,600)</u>	<u>(718,626)</u>
NONOPERATING REVENUES/(EXPENSES)				
Interest on Investments	(400)	(119)	121	240
Gain on Sale of Assets	-	-	2,166	
Debt Issuance Costs	-	-	(50,000)	(50,000)
Interest & Fiscal Charges	(19,050)	(19,050)	(26,034)	(6,984)
Total Nonoperating Revenues/(Expenses)	<u>(19,450)</u>	<u>(19,169)</u>	<u>(73,747)</u>	<u>(49,760)</u>
Income/(Loss) Before Transfers	(1,181,711)	57,857	(715,347)	(768,386)
Transfers In/(Out)	<u>(67,020)</u>	<u>(67,020)</u>	<u>(24,000)</u>	<u>43,020</u>
Change in Net Position	(1,248,731)	(9,163)	(739,347)	(725,366)
Net Position - Beginning	<u>2,704,964</u>	<u>2,704,964</u>	<u>2,704,964</u>	<u>-</u>
Net Position - Ending	<u>\$ 1,456,233</u>	<u>\$ 2,695,801</u>	<u>\$ 1,965,617</u>	<u>\$ (725,366)</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
Changes in Fund Balances
General Fund Component Units
For the Fiscal Year Ended September 30, 2020

	Ferris 4A Economic Development Corporation	Ferris 4B Economic Development Corporation	Ferris Public Improvement District No. 1
ASSETS			
Cash & Cash Equivalents	\$ 643,887	\$ 530,332	\$ 1,010,587
Receivables (Net of Allowance for Uncollectible)	165,105	35,105	-
Total Assets	<u>\$ 808,992</u>	<u>\$ 565,437</u>	<u>\$ 1,010,587</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable &			
Other Current Liabilities	\$ -	\$ -	\$ 798,761
Due to Primary Government	22,942	20,768	3,976
Total Liabilities	<u>22,942</u>	<u>20,768</u>	<u>802,737</u>
NET POSITION			
Restricted for:			
Debt Service	-	-	-
Economic Development	786,050	544,669	-
Municipal Development	-	-	207,850
Total Net Position	<u>\$ 808,992</u>	<u>\$ 565,437</u>	<u>\$ 1,010,587</u>

CITY OF FERRIS, TEXAS
Changes in Fund Balances
General Fund Component Units
For the Fiscal Year Ended September 30, 2020 *(continued)*

	Ferris 4A Economic Development Corporation	Ferris 4B Economic Development Corporation	Ferris Public Improvement District No. 1
REVENUES			
Sales Tax	\$ 189,854	\$ 189,854	\$ -
Property Tax			355,200
Investment Earnings	1,167	888	13,380
Grants and Contributions	-	-	1,092,861
Total Revenues	<u>191,021</u>	<u>190,742</u>	<u>1,461,441</u>
EXPENITURES			
Current:			
Economic Development	97,757	62,124	1,409,216
Public Improvement	-	-	-
Debt Service			
Principal Retirement	30,158	-	60,000
Interest and Fiscal Charges	49,352	-	268,018
Total Expenditures	<u>177,267</u>	<u>62,124</u>	<u>1,737,234</u>
OTHER FINANCING SOURCES (USES)			
Revenue Bonds Issued	-	-	-
Discount on Bonds Issued	-	-	(77,300)
Bond Issuance Costs	-	-	-
Sales on Capital Assets	6,000	-	-
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>-</u>	<u>(77,300)</u>
Net Change in Fund Balances	19,754	128,618	(353,093)
Fund Balances - Beginning	766,296	416,051	522,293
Prior Period Adjustment	-	-	38,650
Fund Balances - Ending	<u>\$ 786,050</u>	<u>\$ 544,669</u>	<u>\$ 207,850</u>