

# **CITY OF EVERMAN, TEXAS**

**Annual Financial Report for the Year Ended  
September 30, 2020**

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ANNUAL FINANCIAL REPORT  
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**City of Everman, Texas  
Principal Officials**

**City Council**

Ray Richardson, Mayor

Susan Mackey, Mayor Pro-Tem

Linda Sanders, Council member

Kelly Denison, Council member

Johnnie Allen, Council member

Judy Sellers, Council member

Miriam Davila, Council member

**Administrative**

Craig Spencer, City Manager

Mindi Parks, City Secretary

Susanne Helgesen, Finance Director

**FINANCIAL SECTION**



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Everman, 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 Everman, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, 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, budgetary comparison information, the schedule of changes in the City's net pension liability and related ratios, the schedule of employer pension contributions and related ratios, the schedule of changes in the total OPEB liability and related ratios, and the schedule of OPEB contributions and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everman, Texas' basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the City of Everman, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Everman, Texas' internal control over financial reporting and compliance.

*Snow Garrett Williams*

Snow Garrett Williams

April 6, 2021

## CITY OF EVERMAN, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Everman, Texas' management's discussion and analysis (MD&A) provides an overview of the City's financial activities for the fiscal year ended September 30, 2020. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities at the close of fiscal year 2020 by \$5,495,797 (*net position*). Of this amount, \$1,622,236 is restricted for specific purposes and (\$495,464) represents unrestricted net position. As required by GASB 34, net position also reflects \$4,369,025 that is net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a combined fund balance at year-end of \$3,853,630 of which \$3,821,384 or 99% represents restricted fund balance, \$1,042 represents assigned fund balance, \$40,333 represents non-spendable fund balance, and unassigned fund balance (deficit) amounted to (\$9,129).
- The General Fund unassigned fund balance (deficit) of (\$9,129) equals 0% of total General Fund expenditures.
- The City's total debt increased by \$5,569,363 during the current fiscal year primarily as a result of the issuance of certificates of obligation offset by scheduled debt service payments, changes in net pension liabilities, changes in OPEB liabilities, and changes in vacation payable.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

**The 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 private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net position presents information on all of the City's assets, deferred inflows of resources, and liabilities, with the difference between these 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 net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include administrative, streets, parks and building maintenance, police, maintenance garage, emergency medical services, fire, community and activity centers, municipal court, code enforcement, library, and animal control. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government). The government-wide financial statements can be found on pages 14 and 15 of this report.

**CITY OF EVERMAN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**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 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. Unlike the government-wide financial statements, however, 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 evaluating the City'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 the comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds, which includes four special revenue funds, one debt service fund, two capital project funds, and the General Fund. 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, Economic Development Corporation (EDC) Fund, Street Improvement Fund, Debt Service Fund, Capital Project Fund, and the 2020 CO Capital Project Fund which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, special revenue funds, and the debt service fund. Budgetary comparison statements (original versus final) have been provided in this report to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 through 18 of this report.

**Proprietary funds.** Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating department and accordingly does not account or report for any internal service funds.

The proprietary fund financial statements can be found on pages 19 through 21 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that for proprietary funds. The City does not hold any resources for the benefit of parties outside the City government and accordingly neither accounts nor reports for fiduciary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 45 of this report.

**CITY OF EVERMAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information concerning pension and OPEB benefits. The required supplementary information can be found on pages 47 through 53 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$5,495,797 as of September 30, 2020.

|  | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total               |                     |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|  | <u>2020</u>                | <u>2019</u>         | <u>2020</u>                 | <u>2019</u>         | <u>2020</u>         | <u>2019</u>         |
| Current and other assets               | \$ 4,433,927               | \$ 2,638,780        | \$ 4,388,320                | \$ 156,320          | \$ 8,822,247        | \$ 2,795,100        |
| Capital assets,<br>net of depreciation | 4,091,924                  | 3,826,685           | 3,158,378                   | 3,112,507           | 7,250,302           | 6,939,192           |
| Total assets                           | <u>8,525,851</u>           | <u>6,465,465</u>    | <u>7,546,698</u>            | <u>3,268,827</u>    | <u>16,072,549</u>   | <u>9,734,292</u>    |
| Deferred outflows of resources         | -                          | 442,178             | -                           | 40,494              | -                   | 482,672             |
| Long-term liabilities                  | 4,530,461                  | 3,043,278           | 5,140,299                   | 1,058,119           | 9,670,760           | 4,101,397           |
| Other liabilities                      | 364,916                    | 282,951             | 248,297                     | 329,178             | 613,213             | 612,129             |
| Total liabilities                      | <u>4,895,377</u>           | <u>3,326,229</u>    | <u>5,388,596</u>            | <u>1,387,297</u>    | <u>10,283,973</u>   | <u>4,713,526</u>    |
| Deferred inflows of resources          | 237,376                    | 1,913               | 55,403                      | 77                  | 292,779             | 1,990               |
| Net position:                          |                            |                     |                             |                     |                     |                     |
| Net investment in<br>capital assets    | 2,158,083                  | 1,993,799           | 2,210,942                   | 2,161,828           | 4,369,025           | 4,155,627           |
| Restricted                             | 1,622,236                  | 1,744,195           | -                           | -                   | 1,622,236           | 1,744,195           |
| Unrestricted                           | (387,221)                  | (158,493)           | (108,243)                   | (239,881)           | (495,464)           | (398,374)           |
| Total net position                     | <u>\$ 3,393,098</u>        | <u>\$ 3,579,501</u> | <u>\$ 2,102,699</u>         | <u>\$ 1,921,947</u> | <u>\$ 5,495,797</u> | <u>\$ 5,501,448</u> |

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$4,369,025. The City uses these capital assets to provide services to citizens; consequently, 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 \$1,622,236 (or 30%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for purposes established by state and local laws and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net position is (\$495,464).

The City's net position decreased by \$5,651 during the current fiscal year. The City's governmental activities decreased net position by \$186,403 which included transfers from the business-type activities of \$308,150. The total cost of all governmental activities this year was \$5,548,147. The amount that taxpayers paid for these activities through property taxes was \$2,411,529 or 43%.

**CITY OF EVERMAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

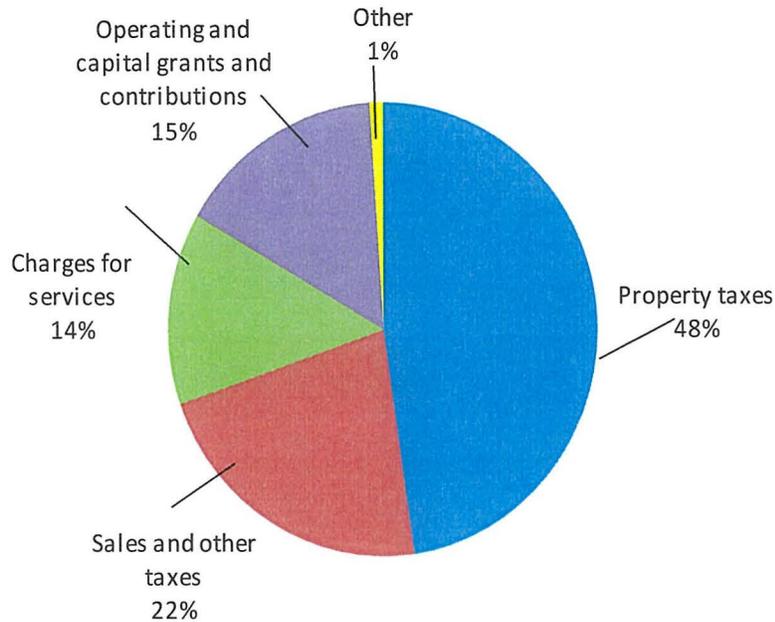
**City of Everman's Changes in Net Position**

|  | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total               |                     |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|  | 2020                       | 2019                | 2020                        | 2019                | 2020                | 2019                |
| <b>Revenues:</b>                           |                            |                     |                             |                     |                     |                     |
| <b>Program revenues:</b>                   |                            |                     |                             |                     |                     |                     |
| Charges for services                       | \$ 692,982                 | \$ 647,302          | \$ 1,868,396                | \$ 1,714,701        | \$ 2,561,378        | \$ 2,362,003        |
| Operating grants and contributions         | 789,859                    | 537,153             | -                           | -                   | 789,859             | 537,153             |
| Capital grants and contributions           | -                          | -                   | 274,544                     | 159,368             | 274,544             | 159,368             |
| <b>General revenues:</b>                   |                            |                     |                             |                     |                     |                     |
| Property taxes                             | 2,411,529                  | 2,094,983           | -                           | -                   | 2,411,529           | 2,094,983           |
| Sales and other taxes                      | 1,108,354                  | 1,003,911           | -                           | -                   | 1,108,354           | 1,003,911           |
| Gain on disposal of assets                 | -                          | -                   | 14,150                      | -                   | 14,150              | -                   |
| Other                                      | 50,870                     | 97,947              | 6,213                       | 2,284               | 57,083              | 100,231             |
| <b>Total revenues</b>                      | <b>5,053,594</b>           | <b>4,381,296</b>    | <b>2,163,303</b>            | <b>1,876,353</b>    | <b>7,216,897</b>    | <b>6,257,649</b>    |
| <b>Expenses:</b>                           |                            |                     |                             |                     |                     |                     |
| Administrative                             | 1,043,777                  | 1,003,606           | -                           | -                   | 1,043,777           | 1,003,606           |
| Streets                                    | 806,635                    | 820,192             | -                           | -                   | 806,635             | 820,192             |
| Parks and building maintenance             | 199,539                    | 172,723             | -                           | -                   | 199,539             | 172,723             |
| Police                                     | 1,840,154                  | 1,677,316           | -                           | -                   | 1,840,154           | 1,677,316           |
| Maintenance garage                         | 190,205                    | 197,357             | -                           | -                   | 190,205             | 197,357             |
| Emergency medical services                 | -                          | 554,811             | -                           | -                   | -                   | 554,811             |
| Fire                                       | 756,471                    | 127,551             | -                           | -                   | 756,471             | 127,551             |
| Community and activity centers             | 11,405                     | 8,134               | -                           | -                   | 11,405              | 8,134               |
| Municipal court                            | 113,537                    | 89,926              | -                           | -                   | 113,537             | 89,926              |
| Code enforcement                           | 65,811                     | 77,153              | -                           | -                   | 65,811              | 77,153              |
| Library                                    | 127,811                    | 156,740             | -                           | -                   | 127,811             | 156,740             |
| Animal control                             | 102,643                    | 104,753             | -                           | -                   | 102,643             | 104,753             |
| Interest on long-term debt                 | 290,159                    | 53,081              | -                           | -                   | 290,159             | 53,081              |
| Water                                      | -                          | -                   | 1,004,420                   | 835,396             | 1,004,420           | 835,396             |
| Sewer                                      | -                          | -                   | 669,981                     | 619,280             | 669,981             | 619,280             |
| <b>Total expenses</b>                      | <b>5,548,147</b>           | <b>5,043,343</b>    | <b>1,674,401</b>            | <b>1,454,676</b>    | <b>7,222,548</b>    | <b>6,498,019</b>    |
| <b>Increase (decrease) in net position</b> |                            |                     |                             |                     |                     |                     |
| before transfers                           | (494,553)                  | (662,047)           | 488,902                     | 421,677             | (5,651)             | (240,370)           |
| Transfers                                  | 308,150                    | 240,000             | (308,150)                   | (240,000)           | -                   | -                   |
| <b>Change in net position</b>              | <b>(186,403)</b>           | <b>(422,047)</b>    | <b>180,752</b>              | <b>181,677</b>      | <b>(5,651)</b>      | <b>(240,370)</b>    |
| Net position, beginning of year            | 3,579,501                  | 4,076,665           | 1,921,947                   | 1,747,669           | 5,501,448           | 5,824,334           |
| Prior period adjustment                    | -                          | (75,117)            | -                           | (7,399)             | -                   | (82,516)            |
| Net position, beginning of year, restated  | 3,579,501                  | 4,001,548           | 1,921,947                   | 1,740,270           | 5,501,448           | 5,741,818           |
| <b>Net position, end of year</b>           | <b>\$ 3,393,098</b>        | <b>\$ 3,579,501</b> | <b>\$ 2,102,699</b>         | <b>\$ 1,921,947</b> | <b>\$ 5,495,797</b> | <b>\$ 5,501,448</b> |

**CITY OF EVERMAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental activities.** Governmental activities decreased the City's net position by \$186,403. This decrease is related to a budgeted decrease in net position due to planned expenditure of accumulated net position.

**Revenues by Source - Governmental Activities**



**Business-type activities.** Business-type activities increased the City's net position by \$180,752. Key elements of this increase are related to increases in water and sewer sales and intergovernmental revenue.

**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 general government functions are reported in the General, Special Revenue, and Debt Service 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 annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,853,630, an increase of \$1,708,148 in comparison with the prior year. The unassigned fund balance is a deficit of \$9,129. The remainder of fund balance has been assigned for employee appreciation fund (\$1,042), or restricted to indicate that it is not available for new spending because it has already been set aside to fund capital projects (\$2,265,812), economic development (\$634,150), tax increment financing (\$196,404), street improvements (\$559,462), crime control and prevention (\$63,443), debt service (\$49,847), LEOSE training and court related expenditures (\$51,383), and celebration expenditures (\$883).

**CITY OF EVERMAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$84,512. The fund balance of the City's general fund decreased by \$253,618 during the current fiscal year. Key factors in this decrease are as follows:

- Increase in salaries and benefits;
- Increase in services expenses; and
- Budgeted use of fund reserves for capital outlay expenditures.

The debt service fund has a fund balance of \$49,847. The net increase in fund balance during the current year in the debt service fund was \$10,412.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Comparing budget to actual amounts, the City was under the final budgeted revenue estimate by \$113,927. The primary revenue that came in under the estimated budget amount was intergovernmental revenue.

Total expenditures were less than the final budgeted amounts by \$25,396. Actual expenditures were less than budgeted primarily due to less expenditures than expected in library and parks and building maintenance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$7,250,302 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$4,091,924) includes land, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$3,158,378) includes land, construction in progress, water and sewer system, buildings and improvements, and machinery and equipment.

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

- Pittman Park facility upgrades;
- Water line project;
- Rogers Street project; and
- EMS equipment purchases.

**CITY OF EVERMAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**City of Everman's Capital Assets  
(net of depreciation)**

|                            | Governmental<br>Activities | Business-type<br>Activities | Total                      |
|----------------------------|----------------------------|-----------------------------|----------------------------|
| Land                       | \$ 265,786                 | \$ 53,425                   | \$ 319,211                 |
| Construction in progress   | -                          | 308,533                     | 308,533                    |
| Buildings and improvements | 1,784,740                  | -                           | 1,784,740                  |
| Infrastructure             | 1,579,287                  | -                           | 1,579,287                  |
| Water and sewer system     | -                          | 2,713,994                   | 2,713,994                  |
| Machinery and equipment    | 247,140                    | 82,426                      | 329,566                    |
| Vehicles                   | 214,971                    | -                           | 214,971                    |
| <b>Total</b>               | <b><u>\$ 4,091,924</u></b> | <b><u>\$ 3,158,378</u></b>  | <b><u>\$ 7,250,302</u></b> |

Additional information on the City's capital assets can be found in Note G on pages 31 and 32 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of the following:

**City of Everman's Outstanding Debt**

|                                | Governmental<br>Activities | Business-Type<br>Activities | Total                      |
|--------------------------------|----------------------------|-----------------------------|----------------------------|
| Certificates of obligation     | \$ 2,175,000               | \$ 4,285,000                | \$ 6,460,000               |
| General obligation bonds       | 1,780,000                  | -                           | 1,780,000                  |
| Unamortized bond premium       | 184,662                    | 94,541                      | 279,203                    |
| Note payable                   | -                          | 764,983                     | 764,983                    |
| Capital lease agreements       | -                          | -                           | -                          |
| Vacation payable               | 129,916                    | 10,503                      | 140,419                    |
| Net pension liability/ (asset) | 168,071                    | (24,673)                    | 143,398                    |
| Net OPEB liability             | 92,812                     | 9,945                       | 102,757                    |
| <b>Total</b>                   | <b><u>\$ 4,530,461</u></b> | <b><u>\$ 5,140,299</u></b>  | <b><u>\$ 9,670,760</u></b> |

The City's total long-term debt increased by a net amount of \$5,569,363 during the current fiscal year. Debt related to governmental activities increased by \$1,487,183 primarily as a result of the issuance of certificates of obligation. Debt related to business-type activities increased by \$4,082,180 primarily as a result of the issuance of certificates of obligation. The City's bonds are rated "A-" by Standard and Poor's Corporation.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2019-2020 was \$1.085713 per \$100 assessed valuation, of which \$0.083222 was for annual debt service.

**CITY OF EVERMAN, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Additional information on the City's long-term debt can be found in Note H on pages 33 through 35 of this report.

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

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. In preparing the City budget for fiscal year 2021, the City Council and management considered the following factors:

- Increase of \$284,324 (or 11.77%) in property taxes, including taxes on new property development of \$5,696.
- Council approved an average merit increase for employees of 5%. With benefits this represents a 7.5% increase in employment costs.
- This budget also anticipates an increase in employee health insurance benefits of 10%.
- The Water and Sewer base rates will increase in April by \$5.00 per account.
- In fiscal year 2020, the City authorized the issuance of \$2,700,000 in Combination Tax and Subordinate Lien Revenue Certificates of Obligation for the design and construction costs associated with water system improvements. In fiscal year 2021, the City will replace aging water lines, water storage tanks, and add a new well, all of which will improve service and reduce water loss.
- Sales Tax collection only increased slightly in 2020; therefore, the budget for 2021 reflects no increase in sales tax revenue.
- Bingo Tax was budgeted conservatively due to the uncertainty of the State filing changes and enforcement. The State is the licensing administration; however, they now require cities to monitor and collect these taxes directly from the Bingo businesses.
- CARES Act Funding provided for significant improvements in capabilities and how we are able to serve our citizens. These improvements were not only essential for safety measures, but also enhanced efficiency. These funds also covered many of the expenditures the City was unexpectedly faced with as a result of COVID-19 and the global pandemic.
- In fiscal year 2020, the City authorized the issuance of \$3,760,000 in Combination Tax and Limited Pledge Revenue Certificates of Obligation for making permanent public improvements in fiscal year 2021 which include: street improvements, City utility system improvement, construction of a new City Hall Annex, and renovations to the Fire Station.
- Implementation of new internet and telephone service throughout all City facilities took place in fiscal year 2020. This included the consolidation of these services to one provider, which not only enhanced connectivity and capability, but will also save the City close to \$24,000 annually over previous agreements.
- The staffing structure within the Public Library has been changed to enhance operations, while reducing employee salary and benefit expenses.
- The City also entered into an agreement with Verizon for wireless connectivity and cellular devices of a higher quality at a lesser expense. All prior service plans were terminated with the consolidation and will result in cost savings to the City.
- Although the City fared well economically through the 2020 fiscal year, consideration was given to the economic uncertainty related to the COVID-19 pandemic in preparing the fiscal year 2021 budget.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Manager at 212 Race Street, Everman, Texas, 76140.

**BASIC FINANCIAL STATEMENTS**

**CITY OF EVERMAN, TEXAS**  
**Statement of Net Position**  
**September 30, 2020**

|  | Primary Government         |                             | Total        |
|--|----------------------------|-----------------------------|--------------|
|  | Governmental<br>Activities | Business-Type<br>Activities |              |
| <b>Assets</b>                                  |                            |                             |              |
| Cash and cash equivalents                      | \$ 1,516,304               | \$ -                        | \$ 1,516,304 |
| Receivables                                    |                            |                             |              |
| Taxes, net of allowances for uncollectibles    | 227,115                    | -                           | 227,115      |
| Accounts, net of allowances for uncollectibles | 174,235                    | 209,657                     | 383,892      |
| Prepaid expenses                               | 40,330                     | -                           | 40,330       |
| Internal balances                              | 270,122                    | (270,122)                   | -            |
| Restricted assets                              |                            |                             |              |
| Cash and cash equivalents                      | 2,205,821                  | 4,448,785                   | 6,654,606    |
| Capital assets                                 |                            |                             |              |
| Land and construction in progress              | 265,786                    | 361,958                     | 627,744      |
| Other capital assets, net of depreciation      | 3,826,138                  | 2,796,420                   | 6,622,558    |
| Total capital assets                           | 4,091,924                  | 3,158,378                   | 7,250,302    |
| Total assets                                   | 8,525,851                  | 7,546,698                   | 16,072,549   |
| <b>Liabilities</b>                             |                            |                             |              |
| Accounts payable and accrued expenses          | 243,850                    | 83,076                      | 326,926      |
| Due to State                                   | 1,175                      | -                           | 1,175        |
| Unearned revenue - CARES Act                   | 101,822                    | -                           | 101,822      |
| Payable from restricted assets                 |                            |                             |              |
| Customer deposits                              | -                          | 153,813                     | 153,813      |
| Accrued interest payable                       | 18,069                     | 11,408                      | 29,477       |
| Long-term liabilities                          |                            |                             |              |
| Due within one year                            | 351,507                    | 285,138                     | 636,645      |
| Due in more than one year                      | 4,178,954                  | 4,855,161                   | 9,034,115    |
| Total liabilities                              | 4,895,377                  | 5,388,596                   | 10,283,973   |
| <b>Deferred inflows of resources</b>           |                            |                             |              |
| Deferred inflows of resources - OPEB           | 882                        | (131)                       | 751          |
| Deferred inflows of resources - Pension        | 236,494                    | 55,534                      | 292,028      |
| Total deferred inflows of resources            | 237,376                    | 55,403                      | 292,779      |
| <b>Net position</b>                            |                            |                             |              |
| Net investment in capital assets               | 2,158,083                  | 2,210,942                   | 4,369,025    |
| Restricted for:                                |                            |                             |              |
| Capital Projects                               | 59,991                     | -                           | 59,991       |
| Debt service                                   | 56,520                     | -                           | 56,520       |
| Economic development                           | 634,150                    | -                           | 634,150      |
| Street improvement                             | 559,462                    | -                           | 559,462      |
| Crime control and prevention district          | 63,443                     | -                           | 63,443       |
| Tax increment financing zone                   | 196,404                    | -                           | 196,404      |
| Court security and technology                  | 46,042                     | -                           | 46,042       |
| LEOSE training                                 | 5,341                      | -                           | 5,341        |
| Celebration and other donations                | 883                        | -                           | 883          |
| Unrestricted                                   | (387,221)                  | (108,243)                   | (495,464)    |
| Total net position                             | \$ 3,393,098               | \$ 2,102,699                | \$ 5,495,797 |

The accompanying notes are an integral part of these financial statements.

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

| Functions/Programs                    | Program Revenues    |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                     |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
|                                       | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                     |
|                                       |                     |                      |                                    |                                  | Governmental Activities                           | Business-type Activities | Total               |
| Governmental activities               |                     |                      |                                    |                                  |   |                          |                     |
| Administrative                        | \$ 1,043,777        | \$ 27,815            | \$ 95,618                          | \$ -                             | \$ (920,344)                                      | \$ -                     | \$ (920,344)        |
| Streets                               | 806,635             | 305,649              | -                                  | -                                | (500,986)   | -                        | (500,986)           |
| Parks and building maintenance        | 199,539             | 240                  | -                                  | -                                | (199,299)   | -                        | (199,299)           |
| Police                                | 1,840,154           | -                    | 278,516                            | -                                | (1,561,638)                                       | -                        | (1,561,638)         |
| Maintenance garage                    | 190,205             | -                    | -                                  | -                                | (190,205)   | -                        | (190,205)           |
| Fire and emergency medical services   | 756,471             | 155,076              | 415,725                            | -                                | (185,670)   | -                        | (185,670)           |
| Community and activity centers        | 11,405              | 450                  | -                                  | -                                | (10,955)  | -                        | (10,955)            |
| Municipal court                       | 113,537             | 173,359              | -                                  | -                                | 59,822  | -                        | 59,822              |
| Code enforcement                      | 65,811              | 29,154               | -                                  | -                                | (36,657)  | -                        | (36,657)            |
| Library                               | 127,811             | 350                  | -                                  | -                                | (127,461)   | -                        | (127,461)           |
| Animal control                        | 102,643             | 889                  | -                                  | -                                | (101,754)   | -                        | (101,754)           |
| Interest and fiscal charges           | 290,159             | -                    | -                                  | -                                | (290,159)   | -                        | (290,159)           |
| <b>Total governmental activities</b>  | <b>5,548,147</b>    | <b>692,982</b>       | <b>789,859</b>                     | <b>-</b>                         | <b>(4,065,306)</b>                                | <b>-</b>                 | <b>(4,065,306)</b>  |
| Business-type activities              |                     |                      |                                    |                                  |   |                          |                     |
| Water                                 | 1,004,420           | 1,029,828            | -                                  | 274,544                          | -   | 299,952                  | 299,952             |
| Sewer                                 | 669,981             | 838,568              | -                                  | -                                | -   | 168,587                  | 168,587             |
| <b>Total business-type activities</b> | <b>1,674,401</b>    | <b>1,868,396</b>     | <b>-</b>                           | <b>274,544</b>                   | <b>-</b>  | <b>468,539</b>           | <b>468,539</b>      |
| <b>Total primary government</b>       | <b>\$ 7,222,548</b> | <b>\$ 2,561,378</b>  | <b>\$ 789,859</b>                  | <b>\$ 274,544</b>                | <b>(4,065,306)</b>                                | <b>468,539</b>           | <b>(3,596,767)</b>  |
| General revenues:                     |                     |                      |                                    |                                  |   |                          |                     |
| Taxes                                 |                     |                      |                                    |                                  |   |                          |                     |
|                                       |                     |                      |                                    |                                  | 2,411,529   | -                        | 2,411,529           |
|                                       |                     |                      |                                    |                                  | 799,228   | -                        | 799,228             |
|                                       |                     |                      |                                    |                                  | 9,396   | -                        | 9,396               |
|                                       |                     |                      |                                    |                                  | 277,657   | -                        | 277,657             |
|                                       |                     |                      |                                    |                                  | 22,073  | -                        | 22,073              |
|                                       |                     |                      |                                    |                                  | 33,213  | 4,853                    | 38,066              |
|                                       |                     |                      |                                    |                                  | -   | 14,150                   | 14,150              |
|                                       |                     |                      |                                    |                                  | 17,657  | 1,360                    | 19,017              |
|                                       |                     |                      |                                    |                                  | 308,150   | (308,150)                | -                   |
|                                       |                     |                      |                                    |                                  | <b>3,878,903</b>                                  | <b>(287,787)</b>         | <b>3,591,116</b>    |
|                                       |                     |                      |                                    |                                  | (186,403)   | 180,752                  | (5,651)             |
|                                       |                     |                      |                                    |                                  | <b>3,579,501</b>                                  | <b>1,921,947</b>         | <b>5,501,448</b>    |
|                                       |                     |                      |                                    |                                  | <b>\$ 3,393,098</b>                               | <b>\$ 2,102,699</b>      | <b>\$ 5,495,797</b> |

**CITY OF EVERMAN, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2020**

|  | General Fund      | Economic Development Corporation Fund | Street Improvement Fund | Debt Service Fund | Capital Project Fund | 2020 CO Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|---------------------------------------|-------------------------|-------------------|----------------------|------------------------------|--------------------------|--------------------------|
| <b>Assets</b>  |                   |                                       |                         |                   |                      |                              |                          |                          |
| Cash and cash equivalents  | \$ 18,371         | \$ 604,550                            | \$ 542,079              | \$ 49,847         | \$ 59,991            | \$ 2,205,821                 | \$ 241,466               | \$ 3,722,125             |
| Receivables  |                   |                                       |                         |                   |                      |                              |                          |                          |
| Taxes, net of allowances of \$70,483                                       | 149,912           | 34,766                                | 17,383                  | 6,673             | -                    | -                            | 18,381                   | 227,115                  |
| Accounts, net of allowance of \$564  | 27,836            | -                                     | -                       | -                 | -                    | -                            | -                        | 27,836                   |
| Due from other funds   | 270,122           | -                                     | -                       | -                 | -                    | -                            | -                        | 270,122                  |
| Prepaid expenses   | 40,333            | -                                     | -                       | -                 | -                    | -                            | -                        | 40,333                   |
| <b>Total assets</b>  | <b>\$ 506,574</b> | <b>\$ 639,316</b>                     | <b>\$ 559,462</b>       | <b>\$ 56,520</b>  | <b>\$ 59,991</b>     | <b>\$ 2,205,821</b>          | <b>\$ 259,847</b>        | <b>\$ 4,287,531</b>      |
| <b>Liabilities</b>   |                   |                                       |                         |                   |                      |                              |                          |                          |
| Accounts payable and accrued expenses                                      | \$ 238,664        | \$ 5,166                              | \$ -                    | \$ -              | \$ -                 | \$ -                         | \$ -                     | \$ 243,850               |
| Due to State   | 1,175             | -                                     | -                       | -                 | -                    | -                            | -                        | 1,175                    |
| Unearned revenue - CARES Act   | 101,822           | -                                     | -                       | -                 | -                    | -                            | -                        | 101,822                  |
| <b>Total liabilities</b>   | <b>341,661</b>    | <b>5,166</b>                          | <b>-</b>                | <b>-</b>          | <b>-</b>             | <b>-</b>                     | <b>-</b>                 | <b>346,847</b>           |
| <b>Deferred inflows of resources</b>                                       |                   |                                       |                         |                   |                      |                              |                          |                          |
| Unavailable revenue - property taxes                                       | 80,381            | -                                     | -                       | 6,673             | -                    | -                            | -                        | 87,054                   |
| <b>Total deferred inflows of resources</b>                                 | <b>80,381</b>     | <b>-</b>                              | <b>-</b>                | <b>6,673</b>      | <b>-</b>             | <b>-</b>                     | <b>-</b>                 | <b>87,054</b>            |
| <b>Fund Balances</b>   |                   |                                       |                         |                   |                      |                              |                          |                          |
| Nonspendable for prepaid expense   | 40,333            | -                                     | -                       | -                 | -                    | -                            | -                        | 40,333                   |
| Restricted for:  |                   |                                       |                         |                   |                      |                              |                          |                          |
| Street improvement   | -                 | -                                     | 559,462                 | -                 | -                    | -                            | -                        | 559,462                  |
| Crime control and prevention district                                      | -                 | -                                     | -                       | -                 | -                    | -                            | 63,443                   | 63,443                   |
| Capital projects   | -                 | -                                     | -                       | -                 | 59,991               | 2,205,821                    | -                        | 2,265,812                |
| Economic development   | -                 | 634,150                               | -                       | -                 | -                    | -                            | -                        | 634,150                  |
| Tax increment financing zone   | -                 | -                                     | -                       | -                 | -                    | -                            | 196,404                  | 196,404                  |
| Debt service   | -                 | -                                     | -                       | 49,847            | -                    | -                            | -                        | 49,847                   |
| LEOSE training   | 5,341             | -                                     | -                       | -                 | -                    | -                            | -                        | 5,341                    |
| Security fees  | 22,255            | -                                     | -                       | -                 | -                    | -                            | -                        | 22,255                   |
| Technology fees  | 23,787            | -                                     | -                       | -                 | -                    | -                            | -                        | 23,787                   |
| Celebration and other donations  | 883               | -                                     | -                       | -                 | -                    | -                            | -                        | 883                      |
| Assigned for employee appreciation fund                                    | 1,042             | -                                     | -                       | -                 | -                    | -                            | -                        | 1,042                    |
| Unassigned   | (9,129)           | -                                     | -                       | -                 | -                    | -                            | -                        | (9,129)                  |
| <b>Total fund balances</b>   | <b>84,512</b>     | <b>634,150</b>                        | <b>559,462</b>          | <b>49,847</b>     | <b>59,991</b>        | <b>2,205,821</b>             | <b>259,847</b>           | <b>3,853,630</b>         |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 506,574</b> | <b>\$ 639,316</b>                     | <b>\$ 559,462</b>       | <b>\$ 56,520</b>  | <b>\$ 59,991</b>     | <b>\$ 2,205,821</b>          | <b>\$ 259,847</b>        |                          |

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,091,924  
Deferred inflows of resources for pensions are not financial resources and, therefore, are not reported in the funds. (236,494)  
Deferred inflows of resources for OPEB are not financial resources and, therefore, are not reported in the funds. (882)  
Property tax receivables, net of allowances are not available to pay for current period expenditures and, therefore, are deferred in the funds. 87,050  
Accounts receivable for ambulance services are not measurable and available in the current period and are not reported in the funds. 146,400  
Some liabilities, including bonds, leases, interest, net pension liability, total OPEB liability, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds. (4,548,530)

Net position of governmental activities - statement of net position

**\$ 3,393,098**

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

|   | General Fund     | Economic Development Corporation Fund | Street Improvement Fund | Debt Service Fund | Capital Project Fund | 2020 CO Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|---------------------------------------|-------------------------|-------------------|----------------------|------------------------------|--------------------------|--------------------------|
| <b>Revenues</b>   |                  |                                       |                         |                   |                      |                              |                          |                          |
| Taxes   | \$ 2,946,712     | \$ 202,918                            | \$ 101,459              | \$ 178,527        | \$ -                 | \$ -                         | \$ 89,016                | \$ 3,518,632             |
| Licenses, permits, and fees for services                  | 336,672          | -                                     | -                       | -                 | -                    | -                            | -                        | 336,672                  |
| Intergovernmental revenue                                 | 522,100          | 8,099                                 | -                       | -                 | -                    | -                            | 95,618                   | 625,817                  |
| Donations   | 164,042          | -                                     | -                       | -                 | -                    | -                            | -                        | 164,042                  |
| Fines and fees  | 328,335          | -                                     | -                       | -                 | -                    | -                            | -                        | 328,335                  |
| Interest income   | 8,376            | 10,741                                | 6,562                   | 185               | 12                   | 4,944                        | 2,393                    | 33,213                   |
| Other revenues  | 23,778           | -                                     | -                       | -                 | -                    | -                            | -                        | 23,778                   |
| Administrative services - other funds                     | 411,170          | -                                     | -                       | -                 | -                    | -                            | -                        | 411,170                  |
| <b>Total revenues</b>                                     | <b>4,741,185</b> | <b>221,758</b>                        | <b>108,021</b>          | <b>178,712</b>    | <b>12</b>            | <b>4,944</b>                 | <b>187,027</b>           | <b>5,441,659</b>         |
| <b>Expenditures</b>                                       |                  |                                       |                         |                   |                      |                              |                          |                          |
| Administrative services - other funds                     | -                | 44,004                                | 29,508                  | -                 | -                    | -                            | 29,508                   | 103,020                  |
| Administrative  | 896,734          | 114,402                               | -                       | -                 | -                    | -                            | 1,668                    | 1,012,804                |
| Streets   | 661,082          | -                                     | 9,586                   | -                 | -                    | -                            | -                        | 670,668                  |
| Parks and building maintenance                            | 123,603          | -                                     | -                       | -                 | -                    | -                            | -                        | 123,603                  |
| Police  | 1,777,037        | -                                     | -                       | -                 | -                    | -                            | -                        | 1,777,037                |
| Maintenance garage  | 186,756          | -                                     | -                       | -                 | -                    | -                            | -                        | 186,756                  |
| Fire and emergency medical services                       | 713,249          | -                                     | -                       | -                 | -                    | -                            | -                        | 713,249                  |
| Community and activity centers                            | 11,405           | -                                     | -                       | -                 | -                    | -                            | -                        | 11,405                   |
| Municipal court   | 112,819          | -                                     | -                       | -                 | -                    | -                            | -                        | 112,819                  |
| Code enforcement  | 65,789           | -                                     | -                       | -                 | -                    | -                            | -                        | 65,789                   |
| Library   | 119,209          | -                                     | -                       | -                 | -                    | -                            | -                        | 119,209                  |
| Animal control  | 96,673           | -                                     | -                       | -                 | -                    | -                            | -                        | 96,673                   |
| Capital outlay  | 228,253          | 368,061                               | -                       | -                 | 59,436               | -                            | -                        | 655,750                  |
| Debt service  | 2,194            | -                                     | -                       | 168,300           | -                    | 109,223                      | 115,112                  | 394,829                  |
| <b>Total expenditures</b>                                 | <b>4,994,803</b> | <b>526,467</b>                        | <b>39,094</b>           | <b>168,300</b>    | <b>59,436</b>        | <b>109,223</b>               | <b>146,288</b>           | <b>6,043,611</b>         |
| Excess (deficiency) of revenues over (under) expenditures | (253,618)        | (304,709)                             | 68,927                  | 10,412            | (59,424)             | (104,279)                    | 40,739                   | (601,952)                |
| <b>Other financing sources and uses</b>                   |                  |                                       |                         |                   |                      |                              |                          |                          |
| Bond Proceeds   | -                | -                                     | -                       | -                 | -                    | 2,175,000                    | -                        | 2,175,000                |
| Premium on long term debt issued                          | -                | -                                     | -                       | -                 | -                    | 135,100                      | -                        | 135,100                  |
| <b>Total other financing sources and uses</b>             | <b>-</b>         | <b>-</b>                              | <b>-</b>                | <b>-</b>          | <b>-</b>             | <b>2,310,100</b>             | <b>-</b>                 | <b>2,310,100</b>         |
| <b>Net change in fund balances</b>                        | <b>(253,618)</b> | <b>(304,709)</b>                      | <b>68,927</b>           | <b>10,412</b>     | <b>(59,424)</b>      | <b>2,205,821</b>             | <b>40,739</b>            | <b>1,708,148</b>         |
| Fund balances, beginning of year                          | 338,130          | 938,859                               | 490,535                 | 39,435            | 119,415              | -                            | 219,108                  | 2,145,482                |
| <b>Fund balances, end of year</b>                         | <b>\$ 84,512</b> | <b>\$ 634,150</b>                     | <b>\$ 559,462</b>       | <b>\$ 49,847</b>  | <b>\$ 59,991</b>     | <b>\$ 2,205,821</b>          | <b>\$ 259,847</b>        | <b>\$ 3,853,630</b>      |

**CITY OF EVERMAN, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Change in**  
**Net Position of Governmental Activities in the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2020**

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

Net change in fund balances - total governmental funds \$ 1,708,148

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

|                |    |                  |         |
|----------------|----|------------------|---------|
| Capital outlay | \$ | 655,750          |         |
| Depreciation   |    | <u>(390,511)</u> | 265,239 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|                      |    |               |        |
|----------------------|----|---------------|--------|
| Property tax revenue | \$ | 1,251         |        |
| Ambulance revenue    |    | <u>21,854</u> | 23,105 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

|                              |    |               |          |
|------------------------------|----|---------------|----------|
| Compensated absences         | \$ | (23,432)      |          |
| Accrued interest             |    | (18,069)      |          |
| Amortization of bond premium |    | <u>12,739</u> | (28,762) |

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense in governmental activities is recorded as the TMRS plan's pension expense. This is the net effect between the two statements. 54,371

OPEB expense in the funds is recorded as contributions when made to the TMRS plan. OPEB expense in governmental activities is recorded as the TMRS plan's OPEB expense. This is the effect between the two statements. (8,404)

The issuance of long-term debt (e.g. bonds payable, notes payable, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|  |    |                  |                    |
|--|----|------------------|--------------------|
| Proceeds from certificates of obligation | \$ | (2,175,000)      |                    |
| Principal repayments                     |    |                  |                    |
| Bonds                                    |    | 110,000          |                    |
| Premium on debt                          |    | <u>(135,100)</u> | <u>(2,200,100)</u> |

Change in net position of governmental activities - statement of activities \$ (186,403)

**CITY OF EVERMAN, TEXAS**  
**Statement of Net Position**  
**Enterprise Fund**  
**September 30, 2020**

|   | <b>Water and<br/>Sewer Fund</b> |
|---|---------------------------------|
| <b>Assets</b>   |                                 |
| Current assets  |                                 |
| Receivables   |                                 |
| Accounts, net of allowance of \$3,455   | \$ 209,657                      |
| Total current assets  | 209,657                         |
| Restricted assets   |                                 |
| Cash and cash equivalents   | 4,448,785                       |
| Noncurrent assets   |                                 |
| Capital assets  |                                 |
| Land  | 53,425                          |
| Construction in progress  | 308,533                         |
| Buildings and improvements  | 630,200                         |
| Waterworks and sewer system   | 5,954,539                       |
| Machinery and equipment   | 278,556                         |
| Accumulated depreciation  | (4,066,875)                     |
| Total noncurrent assets   | 3,158,378                       |
| Total assets  | 7,816,820                       |
| <b>Liabilities</b>  |                                 |
| Current liabilities   |                                 |
| Payable from current assets   |                                 |
| Accounts payable and accrued expenses   | 83,076                          |
| Due to general fund   | 270,122                         |
| Vacation payable  | 10,503                          |
| Total payable from current assets   | 363,701                         |
| Payable from restricted assets  |                                 |
| Current portion of certificates of obligation payable and unamortized premium | 205,057                         |
| Current portion of note payable   | 69,578                          |
| Customer deposits   | 153,813                         |
| Accrued interest  | 11,408                          |
| Total payable from restricted assets  | 439,856                         |
| Total current liabilities   | 803,557                         |
| Noncurrent liabilities  |                                 |
| Net pension liability/ (asset)  | (24,673)                        |
| Net OPEB liability  | 9,945                           |
| Certificates of obligation and unamortized premium                            | 4,174,484                       |
| Note payable  | 695,405                         |
| Total noncurrent liabilities  | 4,855,161                       |
| Total liabilities   | 5,658,718                       |
| <b>Deferred Inflows of Resources</b>  |                                 |
| Deferred inflows of resources - OPEB  | (131)                           |
| Deferred inflows of resources - Pension                                       | 55,534                          |
| <b>Net position</b>   |                                 |
| Net investment in capital assets  | 2,210,942                       |
| Unrestricted  | (108,243)                       |
| Total net position  | \$ 2,102,699                    |

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2020**

|  | <b>Water and<br/>Sewer Fund</b> |
|--|---------------------------------|
| Operating revenues                             |                                 |
| Water and sewer sales, net of bad debt expense | \$ 1,866,565                    |
| Other income                                   | 1,831                           |
| Total operating revenues                       | 1,868,396                       |
| Operating expenses                             |                                 |
| Water  | 635,021                         |
| Sewer  | 538,072                         |
| Administrative services - General Fund         | 308,150                         |
| Depreciation                                   | 259,101                         |
| Total operating expenses                       | 1,740,344                       |
| Operating income                               | 128,052                         |
| Non-operating revenues (expenses)              |                                 |
| Intergovernmental revenue                      | 274,544                         |
| Interest revenue                               | 4,853                           |
| Fines and fees                                 | 1,360                           |
| Gain on disposal of asset                      | 14,150                          |
| Interest expense and fiscal charge             | (242,207)                       |
| Total non-operating revenues (expenses)        | 52,700                          |
| Change in net position                         | 180,752                         |
| Net position, beginning of year                | 1,921,947                       |
| Net position, end of year                      | \$ 2,102,699                    |

**CITY OF EVERMAN, TEXAS**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2020**

|  | <b>Water and<br/>Sewer Fund</b> |
|--|---------------------------------|
| <b>Cash flows from operating activities:</b>   |                                 |
| Cash received from customers   | \$ 1,873,993                    |
| Increase in customer deposits  | 2,549                           |
| Cash paid to suppliers   | (925,590)                       |
| Cash paid to employees   | (351,486)                       |
| Cash paid to other funds   | (247,926)                       |
|  | <u>351,540</u>                  |
| Net cash provided by operating activities  | <u>351,540</u>                  |
| <b>Cash flows from capital and related financing activities:</b>   |                                 |
| Purchase of capital assets   | (304,972)                       |
| Proceeds from disposal of capital assets   | 14,150                          |
| Proceeds from capital grants   | 274,544                         |
| Proceeds from issuance of long-term debt   | 4,285,000                       |
| Principal payments on long-term debt   | (185,696)                       |
| Premium on long-term debt  | 94,541                          |
| Interest payments and fiscal charge  | (236,139)                       |
|  | <u>(236,139)</u>                |
| Net cash provided by capital and related financing activities  | <u>3,941,428</u>                |
| <b>Cash flows from investing activities:</b>   |                                 |
| Interest income  | 4,853                           |
|  | <u>4,853</u>                    |
| Net cash provided by investing activities  | <u>4,853</u>                    |
| Net increase in cash and cash equivalents  | 4,297,821                       |
| Cash and cash equivalents at beginning of year   | <u>150,964</u>                  |
| Cash and cash equivalents at end of year   | <u>\$ 4,448,785</u>             |
| <br><b>RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM<br/>THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b> |                                 |
| Restricted cash and cash equivalents   | <u>\$ 4,448,785</u>             |
| Total cash and cash equivalents  | <u>\$ 4,448,785</u>             |
| <br><b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY<br/>OPERATING ACTIVITIES:</b>                              |                                 |
| Operating income   | \$ 128,052                      |
| Adjustments to reconcile operating income<br>to net cash provided by operations:   |                                 |
| Depreciation   | 259,101                         |
| (Increase) decrease in:  |                                 |
| Accounts receivable  | 5,597                           |
| Increase (decrease) in:  |                                 |
| Accounts payable and accrued expenses  | (88,138)                        |
| Customer deposits  | 2,549                           |
| Due to general fund  | 60,224                          |
| Net pension liability  | (115,113)                       |
| Total OPEB liability   | 1,603                           |
| Accrued vacation   | 1,845                           |
| Deferred inflows of resources- Pension   | 96,028                          |
| Deferred inflows of resources- OPEB  | (208)                           |
|  | <u>(208)</u>                    |
| Net cash provided by operating activities  | <u>\$ 351,540</u>               |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note A. Summary of Significant Accounting Policies**

The accounting policies of the City of Everman, Texas (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governments, except where specifically noted. The following are the most significant policies.

**Financial Reporting Entity**

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements of the City include all primary government organizations, for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The following entities were found to be blended component units of the City for financial statement purposes because the component unit's governing body is substantially the same as the City Council or because the component unit exclusively serves the City:

Everman Crime Control and Prevention District – The City created the entity to provide supplemental funding to the police department in order to provide funding for law enforcement. Funding for the Crime Control and Prevention District is generated from .25% of sales tax. The governing body is currently made up of seven temporary Committee members all of whom were appointed by the City Council. The 10-year extension of the Crime Control and Prevention District and the supporting sales tax of 0.25% was approved by a special election held November 8, 2016. The Crime Control and Prevention District provides all of its services to the City, and upon its dissolution, all assets shall be distributed to the City.

Everman Economic Development Corporation (Corporation) – The City created the Corporation for the purpose of projects and improvements that promote economic development within the City. There are seven directors, two of whom are members of the City Council and the remaining five members are residents of the City. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. The Corporation provides all of its services to the City, and upon its dissolution, all assets shall be distributed to the City.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note A. Summary of Significant Accounting Policies (Continued)**

Everman Tax Increment Financing Reinvestment Zone Number One (TIF) – The City created the TIF for the purpose of dedicating the increase in tax revenue generated within the TIF to provide funds for the necessary public infrastructure to encourage accelerated development in this area of the City. Project costs will be financed through loans advanced by developers or bonds which may be issued and utilize the tax increment funds to support debt service as those funds are available. The revenue sources include the real property taxes captured by the TIF, which account for 100% of revenues to fund project costs or bond debt service. According to the Finance Plan (Plan) approved by the City Council, the City will contribute 75% of its M & O tax rate, Tarrant County will contribute 50% of its tax rate, and Tarrant Hospital District will contribute 50% of its tax rate on the incremental taxable value shown in the Plan. The TIF's board of directors consists of five board members, of which three members are appointed by the City Council, one member is appointed by the Tarrant County Commissioners Court, and one member is appointed by the Tarrant County Hospital District. The TIF was approved to exist for thirty years with the termination set in 2042 or the date when all project costs are paid and any debt is retired, whichever comes first.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General fund, Economic Development Corporation fund, Street Improvement fund, the Debt Service fund, the Capital Project fund, and the 2020 CO Capital Project fund meet criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include the Crime Control and Prevention District and the Tax Increment Financing Zone funds. The combined amounts for these funds are reflected in a single column in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Supplemental Information.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and various other revenues.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note A. Summary of Significant Accounting Policies (Continued)**

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**The Economic Development Corporation Fund** is reported as a special revenue fund of the City and is utilized to account for the half-penny sales tax which can only be spent on projects and improvements that promote economic development activities within the City.

**The Street Improvement Fund** is reported as a special revenue fund of the City and is utilized to account for a quarter-penny sales tax which can only be spent on street improvements or maintenance within the City.

**The Debt Service Fund** accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on long-term obligations paid primarily from taxes levied and collected by the City.

**The Capital Project Fund and 2020 CO Capital Project Fund** account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition, repair, or construction of various projects and acquisition of land, buildings, and equipment.

The City reports the following major proprietary funds:

**The Water and Sewer Fund** is used to account for operations that are financed and operated in a manner similar to a private business enterprise - where the intent of the City is that the cost (expenses) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note A. Summary of Significant Accounting Policies (Continued)**

2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.
5. Annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund are adopted on a basis consistent with generally accepted accounting principles.
6. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
7. The City Council may authorize additional appropriations during the year.
8. Provisions are made in the annual budget and in the appropriation ordinance for a contingent reserve in an amount not more than three percent of the total budget, to be used in case of unforeseen items of expenditure. Such contingent reserve is under the control of the City Manager and distributed after approval of the City Council. Expenditures from this reserve are made only in case of established emergencies, and a detailed account of such expenditures is recorded and reported.

**Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems) 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 \$3,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 15 - 30 years |
| Infrastructure             | 20 years      |
| Waterworks and sewer lines | 20 - 35 years |
| Heavy machinery            | 15 years      |
| Transportation vehicles    | 5 years       |
| Office equipment           | 5 years       |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note A. Summary of Significant Accounting Policies (Continued)**

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On new certificates of obligations and bonds payable, premiums and discounts are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet 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. The City currently has no deferred outflows of resources.

In addition to liabilities, the statement of net position or balance sheet will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to unavailable revenue from property taxes reported in the governmental fund balance sheet. The City also has deferred inflows of resources related to the pension plan and to Other Post Employment Benefits (OPEB) reported in the statement of net position.

Fund Balance

The City adopted a fund balance policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted or committed. Assignments are made by the City's Finance Director.

For the classification of the governmental fund balances, the City considers an expenditure to be made from the most restrictive classification first when more than one classification is available.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets—This category consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position—This category consists of external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, enabling legislation, and constitutional provisions.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note A. Summary of Significant Accounting Policies (Continued)**

Unrestricted net position—This category represents net position, not restricted for any project or other purpose.

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

Concentration of Credit Risk

The City has property taxes receivable from residents and businesses all of whom are located in the City. Also, the City has utility charges receivable from residents and businesses located in the City and surrounding areas.

Pensions

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 (TMRS) and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. 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.

Other Post-Employment Benefits (OPEB)

The total OPEB liability has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from these amounts.

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. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The City retains no risk except for deductible amounts ranging from \$500 to \$10,000.

There have been no significant reductions in coverage in the past fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note B. Reconciliation of Government-wide and Fund Financial Statements**

The following is an explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation explains "some liabilities, including bonds, leases, interest, net pension liability, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds."

The details of this \$4,548,530 difference are as follows:

|  |                              |
|--|------------------------------|
| Certificates of obligation   | \$ (2,175,000)               |
| General obligation refunding bonds   | (1,780,000)                  |
| Unamortized bond premium   | (184,662)                    |
| Accrued interest payable   | (18,069)                     |
| Net pension liability  | (168,071)                    |
| Total OPEB liability   | (92,812)                     |
| Vacation payable   | <u>(129,916)</u>             |
| <br>   |                              |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u><u>\$ (4,548,530)</u></u> |

**Note C. Deposits, Securities, and Investments**

Chapter 2256 of the Texas Government Code (the "Public Funds Investment Act") authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations, and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Certificates of Deposit of a single issuer, not to exceed the FDIC insurable amount at any time;
2. Local Government Investment Cooperative is to be used for all invested funds that require a high degree of liquidity; and
3. City's Frost checking account is to be used for un-invested funds within 60 days of receipt.

The Local Government Investment Cooperative (LOGIC) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of trustees and is comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators are Hilltop Securities Inc. and J.P. Morgan Investment Management Inc. LOGIC is rated AAAM by Standard and Poor's.

LOGIC uses amortized cost to value portfolio assets and follow the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The stated objective of the pool is to maintain a stable average of \$1.00 per unit net asset value. There are no limitations or restrictions on withdrawals.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note C. Deposits, Securities, and Investments (Continued)**

Interest Rate Risk – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. As of September 30, 2020, the City’s investments included investment pools, and therefore were not exposed to interest rate risk.

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2020, the LOGIC investment pool was rated AAAM by Standard and Poor’s.

Concentration of Credit Risk – The City’s Investment policy does not place a limit on the amount that may be invested.

As of September 30, 2020, 100.00% of the City’s portfolio was invested in Local Government Investment Pools.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name. At September 30, 2020, the City’s cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City’s name.

**Note D. Local Tax Revenues and Receivables**

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. In the governmental fund financial statements, taxes not expected to be collected within sixty days of the fiscal year end are recorded as deferred inflows and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

**Note E. Restricted Assets**

Restricted assets in the Enterprise Fund of \$4,448,785 are held for customers’ meter deposits, to repay principal and interest on certificates of obligation and notes, and to fund capital projects (unspent debt proceeds).

The following is a summary of restricted assets:

|                               |    |                         |
|-------------------------------|----|-------------------------|
| Customer deposits             | \$ | 153,813                 |
| 2020 CO issue restricted cash |    | 1,607,319               |
| Debt service cash             |    | 84,744                  |
| TWDB cash                     |    | <u>2,602,909</u>        |
| Total                         | \$ | <u><u>4,448,785</u></u> |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note F. Interfund Activity**

Interfund balances at September 30, 2020 consisted of \$270,122 payable from the water and sewer fund to the general fund to cover negative cash balances. This amount is also reported on the Statement of Net Position as internal balances.

Interfund transactions for the fiscal year ended September 30, 2020 are as follows:

|  |                              |
|--|------------------------------|
| Administrative overhead reimbursement from Enterprise Fund | \$ 308,150                   |
| Administrative overhead reimbursement                      |                              |
| from Street Improvement Fund                               | 29,508                       |
| from Economic Development Corporation (EDC) Fund           | 44,004                       |
| from Crime Control and Prevention District Fund            | <u>29,508</u>                |
| Total reimbursements to General Fund                       | <u>411,170</u>               |
| <br>Total interfund transactions                           | <br><u><u>\$ 411,170</u></u> |

The General Fund charges the Enterprise Fund for street repairs provided by the street department. In addition, the General Fund charges the Enterprise Fund, the Economic Development Corporation, Crime Control and Prevention District Fund, and the Street Improvement Fund an administrative fee for certain general and administrative services provided to such funds.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note G. Capital Assets**

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

|   | Balance<br>09/30/2019 | Additions/<br>Adjustments | Disposals/<br>Adjustments | Balance<br>09/30/2020 |
|---|-----------------------|---------------------------|---------------------------|-----------------------|
| <b>Governmental activities</b>              |                       |                           |                           |                       |
| Capital assets not being depreciated:       |                       |                           |                           |                       |
| Land  | \$ 265,786            | \$ -                      | \$ -                      | \$ 265,786            |
| Total capital assets not being depreciated  | 265,786               | -                         | -                         | 265,786               |
| Other capital assets                        |                       |                           |                           |                       |
| Buildings and improvements                  | 3,882,851             | 415,880                   | -                         | 4,298,731             |
| Infrastructure                              | 2,596,446             | 59,436                    | -                         | 2,655,882             |
| Machinery and equipment                     | 844,523               | 131,492                   | -                         | 976,015               |
| Vehicles                                    | 1,888,817             | 48,942                    | 49,695                    | 1,888,064             |
| Total other capital assets                  | 9,212,637             | 655,750                   | 49,695                    | 9,818,692             |
| Less accumulated depreciation for:          |                       |                           |                           |                       |
| Buildings and improvements                  | 2,353,779             | 160,212                   | -                         | 2,513,991             |
| Infrastructure                              | 951,635               | 124,960                   | -                         | 1,076,595             |
| Machinery and equipment                     | 692,529               | 36,346                    | -                         | 728,875               |
| Vehicles                                    | 1,653,795             | 68,993                    | 49,695                    | 1,673,093             |
| Total accumulated depreciation              | 5,651,738             | 390,511                   | 49,695                    | 5,992,554             |
| Other capital assets, net                   | 3,560,899             | 265,239                   | -                         | 3,826,138             |
| Governmental activities capital assets, net | <u>\$ 3,826,685</u>   | <u>\$ 265,239</u>         | <u>\$ -</u>               | <u>\$ 4,091,924</u>   |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note G. Capital Assets (Continued)**

|  | Balance<br>09/30/2019 | Additions/<br>Adjustments | Disposals/<br>Adjustments | Balance<br>09/30/2020 |
|--|-----------------------|---------------------------|---------------------------|-----------------------|
| <b>Business-type activities</b>              |                       |                           |                           |                       |
| Capital assets not being depreciated:        |                       |                           |                           |                       |
| Construction in progress                     | \$ 53,945             | \$ 254,588                | \$ -                      | \$ 308,533            |
| Land   | 53,425                | -                         | -                         | 53,425                |
| Total capital assets not being depreciated   | <u>107,370</u>        | <u>254,588</u>            | <u>-</u>                  | <u>361,958</u>        |
| Other capital assets                         |                       |                           |                           |                       |
| Buildings and improvements                   | 630,200               | -                         | -                         | 630,200               |
| Water and sewer system                       | 5,941,609             | 12,930                    | -                         | 5,954,539             |
| Machinery and equipment                      | 310,322               | 37,454                    | 69,220                    | 278,556               |
| Total other capital assets                   | 6,882,131             | 50,384                    | 69,220                    | 6,863,295             |
| Less accumulated depreciation for:           |                       |                           |                           |                       |
| Building and improvements                    | 630,200               | -                         | -                         | 630,200               |
| Water and sewer system                       | 2,993,797             | 246,747                   | -                         | 3,240,544             |
| Machinery and equipment                      | 252,997               | 12,354                    | 69,220                    | 196,131               |
| Total accumulated depreciation               | 3,876,994             | 259,101                   | 69,220                    | 4,066,875             |
| Other capital assets, net                    | <u>3,005,137</u>      | <u>(208,717)</u>          | <u>-</u>                  | <u>2,796,420</u>      |
| Business-type activities capital assets, net | <u>\$ 3,112,507</u>   | <u>\$ 45,871</u>          | <u>\$ -</u>               | <u>\$ 3,158,378</u>   |

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

**Governmental activities:**

|                                |                   |
|--------------------------------|-------------------|
| Administrative                 | \$ 29,578         |
| Streets                        | 137,331           |
| Parks and building maintenance | 76,105            |
| Police                         | 78,935            |
| Maintenance garage             | 3,449             |
| Emergency medical services     | 10,913            |
| Fire                           | 34,898            |
| Community and activity centers | -                 |
| Municipal court                | -                 |
| Code enforcement               | -                 |
| Library                        | 11,498            |
| Animal control                 | 7,804             |
| Total Governmental activities  | <u>\$ 390,511</u> |

**Business-type activities:**

|                                |                   |
|--------------------------------|-------------------|
| Water                          | \$ 248,295        |
| Sewer                          | 10,806            |
| Total Business-type activities | <u>\$ 259,101</u> |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note H. Long-Term Debt**

Long-term debt of the City consists of bonds payable and a note payable from direct borrowing. Retirement of the governmental funds debt is provided from the debt service tax together with interest earned within the Debt Service Fund. Retirement of the enterprise fund debt is provided from the revenue of the system. Long-term debt at September 30, 2020 consists of the following:

**Governmental activities**

General Obligation Bonds

*Series 2013 General Obligation Bonds*

- To acquire, repair and construct permanent public improvements, including streets and parks.
- Original balance of \$2,475,000.
- Payable in annual installments of \$75,000 to \$165,000, maturing February 1, 2033.
- Interest payable February 1 and August 1 at 2.00% to 3.50%.
- Outstanding balance of \$1,780,000 at September 30, 2020.

Certificates of Obligation

*Series 2020 Combination Tax and Limited Pledge Revenue Certificates of Obligation*

- To construct street, City Hall, and fire station improvements.
- Original balance of \$2,175,000.
- Payable in annual installments of \$85,000 to \$135,000, maturing September 30, 2040.
- Interest payable February 1 and August 1 at 2.00% to 4.00%.
- Outstanding balance of \$2,175,000 at September 30, 2020.

**Business-type activities**

Certificates of Obligation

*Series 2020 Combination Tax and Limited Pledge Revenue Certificates of Obligation*

- To construct utility system improvements.
- Original balance of \$1,585,000.
- Payable in annual installments of \$60,000 to \$100,000, maturing September 30, 2040.
- Interest payable February 1 and August 1 at 2.00% to 4.00%.
- Outstanding balance of \$1,585,000 at September 30, 2020.

*Series 2020 Combination Tax and Subordinate Lien Revenue Certificates of Obligation (TWDB DWSRF)*

- To construct utility system improvements.
- Original balance of \$2,700,000.
- Payable in annual installments of \$135,000, maturing September 30, 2040.
- Interest payable February 1 and August 1 at 0.00% to 0.33%.
- Outstanding balance of \$2,700,000 at September 30, 2020.

Note Payable from Direct Borrowing

*Government Capital Corporation*

- To finance an energy savings project.
- Principal price of \$1,017,249.
- Payable in annual installments of \$58,000 to \$96,000, maturing July 1, 2029.
- Outstanding balance of \$764,983 at September 30, 2020, bearing interest at 2.35%.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note H. Long-Term Debt (Continued)**

The following is a summary of the changes by type of debt for the year ended September 30, 2020:

|                                    | Balance<br>09/30/2019 | Additions           | Retirements         | Balance<br>09/30/2020 | Due Within<br>One Year |
|------------------------------------|-----------------------|---------------------|---------------------|-----------------------|------------------------|
| <b>Governmental activities</b>     |                       |                     |                     |                       |                        |
| General obligation bonds           | \$ 1,890,000          | \$ -                | \$ 110,000          | \$ 1,780,000          | \$ 115,000             |
| Certificates of obligation         | -                     | 2,175,000           | -                   | 2,175,000             | 85,000                 |
| Unamortized bond premium           | 62,301                | 135,100             | 12,739              | 184,662               | 21,591                 |
| Vacation payable                   | 106,486               | 95,063              | 71,633              | 129,916               | 129,916                |
| Net pension liability              | 901,114               | 134,459             | 867,502             | 168,071               | -                      |
| Total OPEB liability               | 83,377                | 24,615              | 15,180              | 92,812                | -                      |
| Total governmental activities      | <u>3,043,278</u>      | <u>2,564,237</u>    | <u>1,077,054</u>    | <u>4,530,461</u>      | <u>351,507</u>         |
| <b>Business-type activities</b>    |                       |                     |                     |                       |                        |
| General obligation refunding bonds | 120,000               | -                   | 120,000             | -                     | -                      |
| Certificates of obligation         | -                     | 4,285,000           | -                   | 4,285,000             | 195,000                |
| Unamortized bond premium           | -                     | 94,541              | -                   | 94,541                | 10,057                 |
| Note payable - direct borrowings   | 830,679               | -                   | 65,696              | 764,983               | 69,578                 |
| Vacation payable                   | 8,658                 | 9,404               | 7,559               | 10,503                | 10,503                 |
| Net pension liability / (asset)    | 90,440                | 22,738              | 137,851             | (24,673)              | -                      |
| Total OPEB liability               | 8,342                 | 4,169               | 2,566               | 9,945                 | -                      |
| Total business-type activities     | <u>1,058,119</u>      | <u>4,415,852</u>    | <u>333,672</u>      | <u>5,140,299</u>      | <u>285,138</u>         |
| Totals                             | <u>\$ 4,101,397</u>   | <u>\$ 6,980,089</u> | <u>\$ 1,410,726</u> | <u>\$ 9,670,760</u>   | <u>\$ 636,645</u>      |

The annual requirements to amortize long-term debt as of September 30, 2020 are as follows:

**Governmental Activities**

| Fiscal<br>Year<br>Ending | General Obligation<br>Bonds |                   | Certificates<br>of Obligation |                   | Total               |
|--------------------------|-----------------------------|-------------------|-------------------------------|-------------------|---------------------|
|                          | Principal                   | Interest          | Principal                     | Interest          |                     |
| 2021                     | \$ 115,000                  | \$ 54,525         | \$ 85,000                     | \$ 55,198         | \$ 309,723          |
| 2022                     | 115,000                     | 51,075            | 80,000                        | 54,200            | 300,275             |
| 2023                     | 120,000                     | 47,550            | 85,000                        | 50,900            | 303,450             |
| 2024                     | 125,000                     | 43,875            | 90,000                        | 47,400            | 306,275             |
| 2025                     | 125,000                     | 40,125            | 90,000                        | 43,800            | 298,925             |
| 2026-2030                | 700,000                     | 134,675           | 520,000                       | 162,350           | 1,517,025           |
| 2031-2035                | 480,000                     | 21,900            | 580,000                       | 94,000            | 1,175,900           |
| 2036-2040                | -                           | -                 | 645,000                       | 32,750            | 677,750             |
| Total                    | <u>\$ 1,780,000</u>         | <u>\$ 393,725</u> | <u>\$ 2,175,000</u>           | <u>\$ 540,598</u> | <u>\$ 4,889,323</u> |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note H. Long-Term Debt (Continued)**

**Business-type Activities**

| Fiscal<br>Year<br>Ending | Certificates<br>of Obligation |                   | Note Payable<br>From Direct Borrowing |                  | Total               |
|--------------------------|-------------------------------|-------------------|---------------------------------------|------------------|---------------------|
|                          | Principal                     | Interest          | Principal                             | Interest         |                     |
| 2021                     | \$ 195,000                    | \$ 42,956         | \$ 69,578                             | \$ 17,977        | \$ 325,511          |
| 2022                     | 195,000                       | 41,579            | 73,621                                | 16,342           | 326,542             |
| 2023                     | 195,000                       | 39,179            | 78,103                                | 14,612           | 326,894             |
| 2024                     | 200,000                       | 36,679            | 82,770                                | 12,777           | 332,226             |
| 2025                     | 200,000                       | 34,079            | 89,172                                | 10,831           | 334,082             |
| 2026-2030                | 1,055,000                     | 128,895           | 371,739                               | 21,872           | 1,577,506           |
| 2031-2035                | 1,100,000                     | 77,620            | -                                     | -                | 1,177,620           |
| 2036-2040                | 1,145,000                     | 28,812            | -                                     | -                | 1,173,812           |
| Total                    | <u>\$ 4,285,000</u>           | <u>\$ 429,799</u> | <u>\$ 764,983</u>                     | <u>\$ 94,411</u> | <u>\$ 5,574,193</u> |

**Note I. Accumulated Unpaid Vacation and Sick Leave**

If an employee is eligible for retirement under the City's defined benefit pension plan, sick leave is carried forward from one year to the next up to 160 hours and will be paid out upon retirement from the City. However, for the remaining employees, sick leave is recorded when paid and employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for accrued vacation payable as of September 30, 2020 was \$140,419.

**Note J. Restricted Net Position**

The government-wide statement of net position reports \$1,622,236 of restricted net position, of which \$1,453,459 is restricted by enabling legislation for the following:

|                                       |                     |
|---------------------------------------|---------------------|
| Economic development                  | \$ 634,150          |
| Street improvements                   | 559,462             |
| Crime control and prevention district | 63,443              |
| Tax increment financing zone          | <u>196,404</u>      |
| Total                                 | <u>\$ 1,453,459</u> |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note K. Defined Benefit Pension Plan**

Plan Description

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

|   |                           |
|---|---------------------------|
| Employee deposit rate   | 5.00%                     |
| Matching ratio (city to employee)                                     | 2 to 1                    |
| Years required for vesting  | 5                         |
| Service retirement eligibility<br>(expressed as age/years of service) | 60/5, 0/20                |
| Updated service credit  | 100% Repeating, Transfers |
| Annuity increase (to retirees)  | 70% of CPI Repeating      |

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.

*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    | 45                |
| Active employees   | <u>50</u>         |
| Total  | <u><u>117</u></u> |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note K. Defined Benefit Pension Plan (Continued)**

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.56% and 9.39% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$230,653, and were equal to the required contributions.

Net Pension Liability

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

*Actuarial assumptions:*

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall payroll growth    | 2.75% per year   |
| 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note K. Defined Benefit Pension Plan (Continued)**

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, Gabriel Roeder Smith & Company, Consultant & Actuaries, 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 as of September 30, 2019 are summarized in the following table:

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

***Discount Rate***

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

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note K. Defined Benefit Pension Plan (Continued)**

| Changes in the NPL   | Increase (Decrease)     |                             |                       |
|--|-------------------------|-----------------------------|-----------------------|
|  | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|  | (a)                     | (b)                         | (a) - (b)             |
| Balance at 12/31/2018  | \$ 6,810,977            | \$ 5,819,414                | \$ 991,563            |
| Changes for the year:  |                         |                             |                       |
| Service cost   | 285,141                 | -                           | 285,141               |
| Interest   | 458,524                 | -                           | 458,524               |
| Change of benefit terms including substantively automatic status | -                       | -                           | -                     |
| Difference between expected and actual experience                | (400,287)               | -                           | (400,287)             |
| Changes of assumptions   | 43,640                  | -                           | 43,640                |
| Contributions - employer   | -                       | 223,439                     | (223,439)             |
| Contributions - employee   | -                       | 116,861                     | (116,861)             |
| Net investment income  | -                       | 900,112                     | (900,112)             |
| Benefit payments, including refunds of employee contributions    | (321,203)               | (321,203)                   | -                     |
| Administrative expense   | -                       | (5,084)                     | 5,084                 |
| Other Changes  | -                       | (145)                       | 145                   |
| Net Changes  | <u>65,815</u>           | <u>913,980</u>              | <u>(848,165)</u>      |
| Balance at 12/31/2019  | <u>\$ 6,876,792</u>     | <u>\$ 6,733,394</u>         | <u>\$ 143,398</u>     |

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

|            | 1% Decrease<br>5.75% | Current Single<br>Discount Rate<br>Assumption<br>6.75% | 1% Increase<br>7.75% |
|------------|----------------------|--|----------------------|
| City's NPL | \$ 1,080,223         | \$ 143,398   | \$ (621,897)         |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note K. Defined Benefit Pension Plan (Continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$157,197.

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ -                                 | \$ 281,388                          |
| Changes in actuarial assumptions                            | 30,729                               | -                                   |
| Difference between projected and actual investment earnings | -                                    | 206,260                             |
| Contributions subsequent to the measurement date            | 164,891                              | -                                   |
| Total   | \$ 195,620                           | \$ 487,648                          |

\$164,891 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the 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:

| Year ended<br>September 30: |              |
|-----------------------------|--------------|
| 2021                        | \$ (163,429) |
| 2022                        | (167,393)    |
| 2023                        | (24,636)     |
| 2024                        | (101,461)    |
| 2025                        | -            |
| Total                       | \$ (456,919) |

**Note L. Other Postemployment Benefits**

**Plan Description**

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. It is considered to be a single-employer plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note L. Other Postemployment Benefits (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. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

*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 | 13               |
| Inactive employees entitled to but not yet receiving benefits    | 3                |
| Active employees   | <u>50</u>        |
| Total  | <u><u>66</u></u> |

Contributions

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 employee's entire careers.

The City's contributions to the TMRS SDBF for the year ended September 30, 2020 were \$733, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The TOL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

|  |                                   |
|--|-----------------------------------|
| Inflation                                | 2.5% per year                     |
| Salary increases                         | 3.5% to 11.5% including inflation |
| Discount rate                            | 2.75%                             |
| Retirees' share of benefit-related costs | \$0                               |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note L. Other Postemployment Benefits (Continued)**

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019. All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees were based on the 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 actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

***Changes in the Total OPEB Liability***

|  | Total OPEB<br>Liability |
|--|-------------------------|
| Balance at 12/31/2018                                | \$ 91,718               |
| Changes for the year:                                |                         |
| Service cost   | 7,012                   |
| Interest   | 3,520                   |
| Difference between expected and<br>actual experience | (17,045)                |
| Changes of assumptions                               | 18,251                  |
| Benefit payments                                     | (699)                   |
| Net Changes  | 11,039                  |
| Balance at 12/31/2019                                | \$ 102,757              |

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees. Changes in assumptions are a result of the change in municipal bond index rate from the previous year.

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, 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<br>1.75% | Current Discount<br>Rate 2.75% | 1% Increase<br>3.75% |
|-----------------------------|----------------------|--------------------------------|----------------------|
| City's Total OPEB Liability | \$ 125,614           | \$ 102,757                     | \$ 85,181            |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2020, the City recognized OPEB expense of \$10,458.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note L. Other Postemployment Benefits (Continued)**

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ -                                 | \$ 15,357                           |
| Changes in actuarial assumptions                            | 14,152                               | -                                   |
| Contributions subsequent to the measurement date            | 454                                  | -                                   |
| Total   | \$ 14,606                            | \$ 15,357                           |

The City reported \$454 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 and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended<br>September 30: |    |         |
|-----------------------------|----|---------|
| 2021                        | \$ | (74)    |
| 2022                        |    | (74)    |
| 2023                        |    | (74)    |
| 2024                        |    | (860)   |
| 2025                        |    | (153)   |
| Thereafter                  |    | 30      |
| Total                       | \$ | (1,205) |

**Note M. Commitments**

The City has a contract with the City of Fort Worth, Texas, for the purchase of treated water and sewage treatment. The contract for water, dated, December 2, 2010 for a 20-year period, is used to supplement the water wells operated by the City. The contract for sewer is dated May 8, 2017 for a 20-year period. Charges are incurred when actual delivery occurs and the rates are adjusted periodically. For the fiscal year ended September 30, 2020, the City's expenses in the Water and Sewer Fund for water and sewer treatment were \$24,884 and \$537,562, respectively.

The City entered into operating lease contracts with Enterprise Leasing in fiscal year 2020 for vehicles used by the Police department. For the fiscal year ended September 30, 2020, the City's expenses related to these operating leases were \$37,102. Lease commitments for the next five years are as follows:

|      |            |
|------|------------|
| 2021 | \$ 66,658  |
| 2022 | 66,517     |
| 2023 | 64,966     |
| 2024 | 64,966     |
| 2025 | 29,556     |
|      | \$ 292,663 |

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note N. Economic Development Program Agreement**

The City negotiated an Economic Development Program Agreement with Advanced Capital Resources, Inc. (Company) that purchased property from the City for the purpose of renovating the shopping center on the property and leasing the center to commercial retail businesses. The Company is also planning to construct a building on the property which will serve as a grocery store. This agreement is structured in accordance with Chapter 380 of the Texas Local Government Code. Under this agreement, the City is to provide incentives to the Company to make the improvements and renovations to the property and the shopping center. Provided that the Company is in full compliance with the terms and conditions of this agreement, the City will waive several permit and related fees for renovation work to the shopping center and construction of the grocery store.

The City will also make program grant payments to the Company as follows:

- For a period of three years beginning on the ad valorem tax effective date, the following percentages of the incremental ad valorem revenues for the corresponding tax year will become due and payable to the Company. According to the agreement, "incremental" means the increase in the ad valorem tax revenues over the ad valorem tax revenues that would be due on the value of the property and any improvements as of the effective date of the agreement.

|            |  |
|------------|--|
| Tax Year 1 | 60% of incremental Ad Valorem Revenues |
| Tax Year 2 | 40% of incremental Ad Valorem Revenues |
| Tax Year 3 | 20% of incremental Ad Valorem Revenues |

- The City will make the program grant payments to the Company on an annual basis on or before the first day of March following the applicable tax year for which ad valorem taxes on the property were paid.

The Company completed the renovation phase as of September 30, 2018 and obtained a certificate of occupancy for the shopping center during fiscal year 2019. The ad valorem tax effective date will be the first January 1<sup>st</sup> following the issuance of a certificate of occupancy for the shopping center. The City paid the company \$19,465 in fiscal year 2020.

**Note O. Everman Economic Development Corporation**

In October 1999, the Everman Economic Development Corporation was created, upon approval of the voters of a half-penny sales and use tax, pursuant to Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas Civil Statutes. The City maintains all accounting records for the Corporation. The Corporation is considered to be a component unit of the City and is treated as a special revenue fund of the City. The expenditures of the half-penny sales tax can only be spent on projects and improvements that promote economic development activities within the City.

**Note P. Everman Crime Control and Prevention District**

In May 2002, the Everman Crime Control and Prevention District was created, upon approval of the voters of a quarter-penny sales and use tax. The City maintains all accounting records for the District. The District is considered to be a component unit of the City and is treated as a special revenue fund of the City. The expenditures of the quarter-penny sales tax can only be used to provide supplemental funding to the police department in order to provide funding for law enforcement.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note Q. Everman Tax Increment Financing Reinvestment Zone Number One (TIF)**

In January 2014, the Everman Tax Increment Financing Reinvestment Zone Number One (TIF) was created, upon approval by City Council with the creation of a reinvestment zone, as authorized by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, Vernon's Texas Codes Annotated. The City maintains all accounting records for the TIF. The TIF is considered to be a component unit of the City and is treated as a special revenue fund of the City. The revenue from the real property taxes captured by the TIF are to be used to fund public improvement project costs within the TIF as specified in the Financing Plan.

**Note R. Subsequent Events**

The City evaluated subsequent events through April 6, 2021, the date the financial statements were available to be issued, and noted the following:

- On February 1, 2021, the City issued \$525,000 in Tax Notes, Series 2021 to provide funds for constructing, acquiring, purchasing, renovating, enlarging, and improving City Hall and related parking facilities.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2020**

|  | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|------------------|--------------|-------------------|---|
|  | Original         | Final        |                   |   |
| <b>Revenues</b>                          |                  |              |                   |   |
| Taxes                                    | \$ 2,779,415     | \$ 2,779,415 | \$ 2,946,712      | \$ 167,297  |
| Licenses, permits, and fees for services | 348,600          | 351,300      | 336,672           | (14,628)  |
| Intergovernmental revenue                | 348,358          | 717,137      | 522,100           | (195,037)   |
| Donations                                | 157,000          | 173,875      | 164,042           | (9,833)   |
| Fines and fees                           | 364,410          | 365,955      | 328,335           | (37,620)  |
| Interest income                          | 25,000           | 25,000       | 8,376             | (16,624)  |
| Other revenues                           | 12,500           | 45,430       | 23,778            | (21,652)  |
| Administrative services - other funds    | 397,000          | 397,000      | 411,170           | 14,170  |
| Total revenues                           | 4,432,283        | 4,855,112    | 4,741,185         | (113,927)   |
| <b>Expenditures</b>                      |                  |              |                   |   |
| Administrative                           | 822,034          | 962,746      | 967,196           | (4,450)   |
| Streets                                  | 641,068          | 661,091      | 661,082           | 9   |
| Parks and building maintenance           | 104,940          | 148,424      | 140,922           | 7,502   |
| Police                                   | 1,577,677        | 1,777,180    | 1,779,231         | (2,051)   |
| Maintenance garage                       | 155,049          | 186,754      | 186,756           | (2)   |
| Emergency medical services               | 497,934          | -            | -                 | -   |
| Fire                                     | 162,900          | 853,760      | 853,721           | 39  |
| Community and activity centers           | 8,500            | 11,410       | 11,405            | 5   |
| Municipal court                          | 105,633          | 113,454      | 112,819           | 635   |
| Code enforcement                         | 77,707           | 70,098       | 65,789            | 4,309   |
| Library                                  | 137,826          | 134,764      | 119,209           | 15,555  |
| Animal control                           | 97,462           | 100,518      | 96,673            | 3,845   |
| Total expenditures                       | 4,388,730        | 5,020,199    | 4,994,803         | 25,396  |
| Net change in fund balance               | 43,553           | (165,087)    | (253,618)         | \$ (88,531)   |
| Fund balance, beginning of year          | 338,130          | 338,130      | 338,130           |   |
| Fund balance, end of year                | \$ 381,683       | \$ 173,043   | \$ 84,512         |   |

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Economic Development Corporation Fund**  
**For the Fiscal Year Ended September 30, 2020**

|  | <b>Budgeted<br/>Amounts</b>   |                           | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--|-------------------------------|---------------------------|---|
|  | <b>Original<br/>and Final</b> | <b>Actual<br/>Amounts</b> |   |
| <b>Revenues</b>  |                               |                           |   |
| Sales tax  | \$ 175,000                    | \$ 202,918                | \$ 27,918   |
| Interest income  | 17,000                        | 10,741                    | (6,259)   |
| Intergovernmental revenue                                    | -                             | 8,099                     | 8,099   |
| Total revenues   | 192,000                       | 221,758                   | 29,758  |
| <b>Expenditures</b>  |                               |                           |   |
| Administrative   | 149,670                       | 114,402                   | 35,268  |
| Administrative services- other funds                         | 44,000                        | 44,004                    | (4)   |
| Capital outlay   | 150,000                       | 368,061                   | (218,061)   |
| Total expenditures   | 343,670                       | 526,467                   | (182,797)   |
| Excess (deficiency) of revenues over<br>(under) expenditures | (151,670)                     | (304,709)                 | (153,039)   |
| Net change in fund balance                                   | (151,670)                     | (304,709)                 | \$ (153,039)  |
| Fund balance, beginning of year                              | 938,859                       | 938,859                   |   |
| Fund balance, end of year                                    | \$ 787,189                    | \$ 634,150                |   |

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Street Improvement Fund**  
**For the Fiscal Year Ended September 30, 2020**

|                                      | <b>Budgeted<br/>Amounts</b>   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--------------------------------------|-------------------------------|---------------------------|---|
|                                      | <b>Original<br/>and Final</b> |                           |   |
| <b>Revenues</b>                      |                               |                           |   |
| Sales tax                            | \$ 85,000                     | \$ 101,459                | \$ 16,459   |
| Interest income                      | 7,500                         | 6,562                     | (938)   |
| Total revenues                       | 92,500                        | 108,021                   | 15,521  |
| <b>Expenditures</b>                  |                               |                           |   |
| Administrative services- other funds | 29,500                        | 29,508                    | 8   |
| Maintenance                          | 35,000                        | 9,586                     | (9,586)   |
| Capital outlay                       | 7,660                         | -                         | 7,660   |
| Total expenditures                   | 72,160                        | 39,094                    | (1,918)   |
| Net change in fund balance           | 20,340                        | 68,927                    | \$ 13,603   |
| Fund balance, beginning of year      | 490,535                       | 490,535                   |   |
| Fund balance, end of year            | \$ 510,875                    | \$ 559,462                |   |

**CITY OF EVERMAN**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Six Fiscal Years \*\***

| Measurement Date - December 31st: *  | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability (a)</b>   |                     |                     |                     |                     |                     |                     |
| Beginning Balance  | \$ 6,810,977        | \$ 6,423,910        | \$ 6,053,758        | \$ 5,570,609        | \$ 5,386,034        | \$ 5,212,243        |
| Service cost   | 285,141             | 266,851             | 253,345             | 224,202             | 202,453             | 149,731             |
| Interest   | 458,524             | 432,496             | 406,077             | 377,178             | 375,761             | 359,272             |
| Change in benefit terms including substantively automatic status             | -                   | -                   | -                   | 4,947               | -                   | -                   |
| Difference between expected and actual experience                            | (400,287)           | (12,309)            | 39,684              | 76,486              | (213,513)           | (25,895)            |
| Changes of assumptions   | 43,640              | -                   | -                   | -                   | 58,374              | -                   |
| Benefit payments, including refunds of employee contributions                | (321,203)           | (299,971)           | (328,954)           | (199,664)           | (238,500)           | (309,317)           |
| End of Year Balance  | <u>\$ 6,876,792</u> | <u>\$ 6,810,977</u> | <u>\$ 6,423,910</u> | <u>\$ 6,053,758</u> | <u>\$ 5,570,609</u> | <u>\$ 5,386,034</u> |
| <b>Plan Fiduciary Net Position (b)</b>                                       |                     |                     |                     |                     |                     |                     |
| Beginning Balance  | \$ 5,819,414        | \$ 5,998,608        | \$ 5,309,975        | \$ 4,921,878        | \$ 4,907,644        | \$ 4,716,010        |
| Contributions - employer   | 223,439             | 197,636             | 182,543             | 162,758             | 158,097             | 150,131             |
| Contributions - employee   | 116,861             | 106,485             | 102,902             | 96,307              | 92,024              | 84,060              |
| Net investment income  | 900,112             | (179,686)           | 736,149             | 332,651             | 7,242               | 269,809             |
| Benefit payments, including refunds of employee contributions                | (321,203)           | (299,971)           | (328,954)           | (199,664)           | (238,500)           | (309,317)           |
| Administrative expense   | (5,084)             | (3,473)             | (3,814)             | (3,757)             | (4,411)             | (2,817)             |
| Other changes  | (145)               | (185)               | (193)               | (198)               | (218)               | (232)               |
| End of Year Balance  | <u>\$ 6,733,394</u> | <u>\$ 5,819,414</u> | <u>\$ 5,998,608</u> | <u>\$ 5,309,975</u> | <u>\$ 4,921,878</u> | <u>\$ 4,907,644</u> |
| <b>Net Pension Liability (a) - (b)</b>                                       |                     |                     |                     |                     |                     |                     |
| Beginning Balance  | \$ 991,563          | \$ 425,302          | \$ 743,783          | \$ 648,731          | \$ 478,390          | \$ 496,233          |
| Service cost   | 285,141             | 266,851             | 253,345             | 224,202             | 202,453             | 149,731             |
| Interest   | 458,524             | 432,496             | 406,077             | 377,178             | 375,761             | 359,272             |
| Change in benefit terms including substantively automatic status             | -                   | -                   | -                   | 4,947               | -                   | -                   |
| Difference between expected and actual experience                            | (400,287)           | (12,309)            | 39,684              | 76,486              | (213,513)           | (25,895)            |
| Changes of assumptions   | 43,640              | -                   | -                   | -                   | 58,374              | -                   |
| Contributions - employer   | (223,439)           | (197,636)           | (182,543)           | (162,758)           | (158,097)           | (150,131)           |
| Contributions - employee   | (116,861)           | (106,485)           | (102,902)           | (96,307)            | (92,024)            | (84,060)            |
| Net investment income  | (900,112)           | 179,686             | (736,149)           | (332,651)           | (7,242)             | (269,809)           |
| Administrative expense   | 5,084               | 3,473               | 3,814               | 3,757               | 4,411               | 2,817               |
| Other changes  | 145                 | 185                 | 193                 | 198                 | 218                 | 232                 |
| End of Year Balance  | <u>\$ 143,398</u>   | <u>\$ 991,563</u>   | <u>\$ 425,302</u>   | <u>\$ 743,783</u>   | <u>\$ 648,731</u>   | <u>\$ 478,390</u>   |
| Plan's fiduciary net position as a percentage of the total pension liability | 97.91%              | 85.44%              | 93.38%              | 87.71%              | 88.35%              | 91.12%              |
| Covered payroll  | \$ 2,337,225        | \$ 2,129,700        | \$ 2,058,042        | \$ 1,926,134        | \$ 1,840,484        | \$ 1,681,201        |
| Net pension liability as a percentage of covered payroll                     | 6.14%               | 46.56%              | 20.67%              | 38.62%              | 35.25%              | 28.46%              |

\* The amounts presented above are as of the measurement date of the collective net pension asset (liability).

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF EVERMAN**  
**Schedule of Employer Pension Contributions and Related Ratios**  
**Last Six Fiscal Years\*\***

| <u>Year Ended September 30th: *</u>  | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| The City's actuarially determined contribution   | \$ 230,653     | \$ 214,256     | \$ 190,994     | \$ 178,759     | \$ 158,902     | \$ 151,299     |
| The amount of contributions recognized by the plan in relation to the actuarially determined contribution  | <u>230,653</u> | <u>214,256</u> | <u>190,994</u> | <u>178,759</u> | <u>158,902</u> | <u>151,299</u> |
| The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution | <u>\$ -</u>    |
| Covered payroll  | \$ 2,443,918   | \$ 2,259,031   | \$ 2,083,289   | \$ 2,041,511   | \$ 1,872,220   | \$ 1,745,348   |
| The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll  | 9.44%          | 9.48%          | 9.17%          | 8.76%          | 8.49%          | 8.67%          |

**Notes to Schedule of Contributions**

*Valuation Date:*

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

*Methods and Assumptions Used to Calculate the Actuarially Determined Contribution Rates:*

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percentage of Payroll, Closed   |
| Remaining Amortization Period | 26 Years  |
| Asset Valuation Method        | 10 Year smoothed market; 12% soft corridor  |
| Inflation                     | 2.50%   |
| Salary Increases              | 3.50% to 11.50% including inflation   |
| Investment Rate of Return     | 6.75%   |
| Retirement Age                | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018   |
| Mortality                     | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.<br>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:*

Benefit Changes                      There were no benefit changes during the year

\* The amounts presented above are as of the City's applicable fiscal year-end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF EVERMAN**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Last Two Fiscal Years\*\***

**Texas Municipal Retirement System (TMRS)**

| <b>Measurement Date - December 31st: *</b>              | <b>2019</b>       | <b>2018</b>      |
|---|-------------------|------------------|
| Total OPEB Liability - beginning of year                | \$ 91,718         | \$ 88,698        |
| Service cost  | 7,012             | 8,732            |
| Interest  | 3,520             | 3,073            |
| Change in benefit terms                                 | -                 | -                |
| Difference between expected and actual experience       | (17,045)          | (1,598)          |
| Changes of assumptions or other inputs                  | 18,251            | (6,761)          |
| Benefit payments***                                     | (699)             | (426)            |
| Net changes   | 11,039            | 3,020            |
| Total OPEB Liability - end of year                      | <u>\$ 102,757</u> | <u>\$ 91,718</u> |
| Covered payroll   | \$ 2,337,225      | \$ 2,129,700     |
| Total OPEB liability as a percentage of covered payroll | 4.40%             | 4.31%            |

\* The amounts presented above are as of the measurement date of the collective total OPEB (asset) liability.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**CITY OF EVERMAN**  
**Schedule of OPEB Contributions and Related Ratios**  
**Last Two Fiscal Years\*\***

**Texas Municipal Retirement System (TMRS)**

| <b>Year Ended September 30th: *</b>  | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
| The City's actuarially determined contribution   | \$ 733       | \$ 617       |
| The amount of contributions recognized by the plan in relation to the actuarially determined contribution  | 733          | 617          |
| The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution | <u>\$ -</u>  | <u>\$ -</u>  |
| Covered payroll  | \$ 2,443,918 | \$ 2,259,031 |
| The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll  | 0.03%        | 0.03%        |

**Notes to Schedule of Contributions**

**Valuation Date:**

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

**Methods and Assumptions Used to Calculate the Actuarially Determined Contribution Rates:**

|  |  |
|--|--|
| 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 scale UMP.   |
| Mortality rates - disabled retirees      | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year setforward 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 amounts presented above are as of the City's applicable fiscal year-end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**SUPPLEMENTAL INFORMATION**

**CITY OF EVERMAN, TEXAS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2020**

|                                       | <u>Special Revenue Funds</u>                             |   | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---------------------------------------|--|---|--|
|                                       | <b>Crime<br/>Control<br/>and Prevention<br/>District</b> | <b>Tax<br/>Increment<br/>Financing<br/>Zone</b> |  |
| <b>Assets</b>                         |  |   |  |
| Cash and cash equivalents             | \$ 48,045  | \$ 193,421                                      | \$ 241,466   |
| Taxes receivable                      | 15,398   | 2,983   | 18,381   |
| <b>Total assets</b>                   | <b>\$ 63,443</b>   | <b>\$ 196,404</b>                               | <b>\$ 259,847</b>                                    |
| <b>Liabilities and fund balances</b>  |  |   |  |
| <b>Liabilities:</b>                   |  |   |  |
| Accounts payable                      | \$ -   | \$ -  | \$ -   |
| <b>Total liabilities</b>              | <b>-</b>   | <b>-</b>  | <b>-</b>   |
| <b>Fund balances</b>                  |  |   |  |
| <b>Restricted for:</b>                |  |   |  |
| Crime control and prevention district | \$ 63,443  | \$ -  | \$ 63,443  |
| Tax increment financing zone          | -  | 196,404   | 196,404  |
| <b>Total fund balances</b>            | <b>63,443</b>  | <b>196,404</b>                                  | <b>259,847</b>                                       |
| <b>Total fund balances</b>            | <b>\$ 63,443</b>   | <b>\$ 196,404</b>                               | <b>\$ 259,847</b>                                    |

**CITY OF EVERMAN, TEXAS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended September 30, 2020**

|                                      | <b>Special Revenue Funds</b>                             |   | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--------------------------------------|--|---|--|
|                                      | <b>Crime<br/>Control<br/>and Prevention<br/>District</b> | <b>Tax<br/>Increment<br/>Financing<br/>Zone</b> |  |
| <b>Revenues</b>                      |  |   |  |
| Sales tax                            | \$ 89,016  | \$ -  | \$ 89,016  |
| Intergovernmental revenue            | -  | 95,618  | 95,618   |
| Interest income                      | 1,399  | 994   | 2,393  |
| <b>Total revenues</b>                | <b>90,415</b>  | <b>96,612</b>                                   | <b>187,027</b>                                       |
| <b>Expenditures</b>                  |  |   |  |
| Administrative                       | 1,668  | -   | 1,668  |
| Administrative services- other funds | 29,508   | -   | 29,508   |
| Equipment lease payment              | 115,112  | -   | 115,112  |
| <b>Total expenditures</b>            | <b>146,288</b>   | <b>-</b>  | <b>146,288</b>                                       |
| Net change in fund balances          | (55,873)   | 96,612  | 40,739   |
| Fund balances, beginning of year     | 119,316  | 99,792  | 219,108  |
| Fund balances, end of year           | <b>\$ 63,443</b>   | <b>\$ 196,404</b>                               | <b>\$ 259,847</b>                                    |

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2020**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2019)**

|   | Budgeted Amounts    |                     | 2020<br>Actual      | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | 2019<br>Actual      |
|---|---------------------|---------------------|---------------------|---|---------------------|
|   | Original            | Final               |                     |   |                     |
| <b>Taxes</b>                                    |                     |                     |                     |   |                     |
| General property taxes                          |                     |                     |                     |   |                     |
| Current   | \$ 2,027,315        | \$ 2,027,315        | \$ 2,148,744        | \$ 121,429  | \$ 1,841,367        |
| Delinquent                                      | 31,000              | 31,000              | 41,916              | 10,916  | 28,500              |
| Penalty and interest                            | 25,100              | 25,100              | 41,091              | 15,991  | 31,159              |
| Sales tax                                       | 349,000             | 349,000             | 405,835             | 56,835  | 341,822             |
| Mixed beverage tax                              | 10,000              | 10,000              | 9,396               | (604)   | 7,929               |
| Franchise tax                                   | 317,000             | 317,000             | 277,657             | (39,343)  | 310,613             |
| Bingo tax                                       | 20,000              | 20,000              | 22,073              | 2,073   | 11,327              |
| Totals  | <u>2,779,415</u>    | <u>2,779,415</u>    | <u>2,946,712</u>    | <u>167,297</u>  | <u>2,572,717</u>    |
| <b>Licenses, permits, and fees for services</b> |                     |                     |                     |   |                     |
| Sanitation fees                                 | 305,000             | 305,000             | 305,649             | 649   | 302,890             |
| Animal adoption fees                            | 1,000               | 1,000               | 625                 | (375)   | 1,040               |
| Animal control fees                             | 1,050               | 1,050               | 264                 | (786)   | 589                 |
| Building permits                                | 10,000              | 10,000              | 13,946              | 3,946   | 9,195               |
| Amusement machine permits                       | 1,000               | 1,000               | 390                 | (610)   | 420                 |
| Other licenses and permits                      | 30,550              | 33,250              | 15,798              | (17,452)  | 23,509              |
| Totals  | <u>348,600</u>      | <u>351,300</u>      | <u>336,672</u>      | <u>(14,628)</u>   | <u>337,643</u>      |
| <b>Intergovernmental revenue</b>                |                     |                     |                     |   |                     |
| Local grant                                     | 348,358             | 717,137             | 522,100             | (195,037)   | 291,039             |
| Totals  | <u>348,358</u>      | <u>717,137</u>      | <u>522,100</u>      | <u>(195,037)</u>  | <u>291,039</u>      |
| <b>Donations</b>                                |                     |                     |                     |   |                     |
| County runs - fire                              | 84,000              | 94,500              | 94,815              | 315   | 87,150              |
| County runs - EMS                               | 70,000              | 70,000              | 59,851              | (10,149)  | 88,768              |
| County runs - police                            | 3,000               | 6,340               | 6,341               | 1   | 9,018               |
| Animal control                                  | -                   | -                   | -                   | -   | 105                 |
| Other donations                                 | -                   | 3,035               | 3,035               | -   | 700                 |
| Totals  | <u>157,000</u>      | <u>173,875</u>      | <u>164,042</u>      | <u>(9,833)</u>  | <u>185,741</u>      |
| <b>Fines and fees</b>                           |                     |                     |                     |   |                     |
| Court fines                                     | 145,630             | 146,395             | 173,359             | 26,964  | 117,166             |
| Ambulance fees - insurance                      | 200,000             | 200,000             | 133,222             | (66,778)  | 147,202             |
| Parks   | -                   | -                   | 100                 | 100   | 100                 |
| Security alarm fee                              | 4,000               | 4,700               | 4,720               | 20  | 3,223               |
| County lab fee restitution                      | -                   | 80                  | 80                  | -   | -                   |
| Labor liens recovery                            | 14,780              | 14,780              | 16,504              | 1,724   | 12,792              |
| Library fines and fees                          | -                   | -                   | 350                 | 350   | -                   |
| Totals  | <u>364,410</u>      | <u>365,955</u>      | <u>328,335</u>      | <u>(37,620)</u>   | <u>280,483</u>      |
| <b>Interest income</b>                          | 25,000              | 25,000              | 8,376               | (16,624)  | 24,761              |
| <b>Other revenues</b>                           |                     |                     |                     |   |                     |
| Vending commissions                             | -                   | -                   | 338                 | 338   | 209                 |
| Garage sale permits                             | 2,500               | 2,500               | 1,210               | (1,290)   | 2,200               |
| Oil and gas royalties                           | 10,000              | 10,000              | 4,573               | (5,427)   | 8,841               |
| Miscellaneous                                   | -                   | 32,930              | 17,657              | (15,273)  | 39,251              |
| Totals  | <u>12,500</u>       | <u>45,430</u>       | <u>23,778</u>       | <u>(21,652)</u>   | <u>50,501</u>       |
| <b>Administrative services - other funds</b>    | 397,000             | 397,000             | 411,170             | 14,170  | 343,000             |
| <b>Total revenues</b>                           | <u>\$ 4,432,283</u> | <u>\$ 4,855,112</u> | <u>\$ 4,741,185</u> | <u>\$ (113,927)</u>   | <u>\$ 4,085,885</u> |

**CITY OF EVERMAN, TEXAS**  
**Statement of Expenditures - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2020**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2019)**

|                                       | Budgeted Amounts  |                  | 2020<br>Actual   | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | 2019<br>Actual    |
|---------------------------------------|-------------------|------------------|------------------|---|-------------------|
|                                       | Original          | Final            |                  |   |                   |
| <b>Administrative</b>                 |                   |                  |                  |   |                   |
| Salaries                              | \$ 425,229        | \$ 495,271       | \$ 484,579       | \$ 10,692   | \$ 426,801        |
| Supplies                              | 26,200            | 43,053           | 45,119           | (2,066)   | 72,007            |
| Services                              | 336,505           | 337,748          | 312,114          | 25,634  | 299,083           |
| Maintenance                           | 34,100            | 40,809           | 54,922           | (14,113)  | 32,193            |
| Capital outlay                        | -                 | 45,865           | 70,462           | (24,597)  | -                 |
| <b>Totals</b>                         | <b>822,034</b>    | <b>962,746</b>   | <b>967,196</b>   | <b>(4,450)</b>  | <b>830,084</b>    |
| <b>Streets</b>                        |                   |                  |                  |   |                   |
| Salaries                              | 255,768           | 270,841          | 250,397          | 20,444  | 235,337           |
| Supplies                              | 6,100             | 9,250            | 9,797            | (547)   | 7,731             |
| Services                              | 373,900           | 375,700          | 400,888          | (25,188)  | 405,422           |
| Maintenance                           | 5,300             | 5,300            | -                | 5,300   | 5,286             |
| <b>Totals</b>                         | <b>641,068</b>    | <b>661,091</b>   | <b>661,082</b>   | <b>9</b>  | <b>653,776</b>    |
| <b>Parks and building maintenance</b> |                   |                  |                  |   |                   |
| Salaries                              | 68,540            | 71,252           | 53,920           | 17,332  | 51,527            |
| Supplies                              | 13,000            | 28,122           | 38,386           | (10,264)  | 24,494            |
| Services                              | 23,400            | 28,000           | 31,297           | (3,297)   | 23,545            |
| Capital outlay                        | -                 | 21,050           | 17,319           | 3,731   | 6,800             |
| <b>Totals</b>                         | <b>104,940</b>    | <b>148,424</b>   | <b>140,922</b>   | <b>7,502</b>  | <b>106,366</b>    |
| <b>Police</b>                         |                   |                  |                  |   |                   |
| Salaries                              | 1,440,362         | 1,584,365        | 1,591,651        | (7,286)   | 1,388,932         |
| Supplies                              | 38,050            | 42,154           | 50,581           | (8,427)   | 38,913            |
| Services                              | 67,965            | 76,975           | 69,414           | 7,561   | 68,359            |
| Maintenance                           | 29,000            | 67,386           | 65,391           | 1,995   | 36,229            |
| Capital outlay                        | -                 | 4,000            | -                | 4,000   | -                 |
| Debt service                          | 2,300             | 2,300            | 2,194            | 106   | 2,207             |
| <b>Totals</b>                         | <b>1,577,677</b>  | <b>1,777,180</b> | <b>1,779,231</b> | <b>(2,051)</b>  | <b>1,534,640</b>  |
| <b>Maintenance garage</b>             |                   |                  |                  |   |                   |
| Salaries                              | -                 | -                | -                | -   | 77,910            |
| Supplies                              | 50,000            | 65,800           | 62,730           | 3,070   | 62,519            |
| Services                              | -                 | -                | 3,122            | (3,122)   | 3,428             |
| Maintenance                           | 105,049           | 120,954          | 120,904          | 50  | 51,365            |
| <b>Totals</b>                         | <b>155,049</b>    | <b>186,754</b>   | <b>186,756</b>   | <b>(2)</b>  | <b>195,222</b>    |
| <b>Emergency medical service</b>      |                   |                  |                  |   |                   |
| Salaries                              | 432,434           | -                | -                | -   | 408,749           |
| Supplies                              | 19,550            | -                | -                | -   | 18,303            |
| Services                              | 9,450             | -                | -                | -   | 10,504            |
| Maintenance                           | 4,500             | -                | -                | -   | 4,678             |
| Capital outlay                        | 32,000            | -                | -                | -   | 81,315            |
| <b>Totals</b>                         | <b>\$ 497,934</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>   | <b>\$ 523,549</b> |

**CITY OF EVERMAN, TEXAS**  
**Statement of Expenditures - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2020**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2019)**

|   | Budgeted Amounts    |                     | 2020<br>Actual      | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | 2019<br>Actual      |
|---|---------------------|---------------------|---------------------|---|---------------------|
|   | Original            | Final               |                     |   |                     |
| <b>Fire and emergency medical service</b> |                     |                     |                     |   |                     |
| Volunteer benefits                        | \$ 13,000           | \$ 493,394          | \$ 515,662          | \$ (22,268)   | \$ 8,626            |
| Supplies                                  | 20,000              | 55,549              | 57,154              | (1,605)   | 53,220              |
| Services                                  | 80,400              | 94,860              | 65,560              | 29,300  | 13,963              |
| Maintenance                               | 11,500              | 49,015              | 74,873              | (25,858)  | 13,253              |
| Capital outlay                            | 38,000              | 160,942             | 140,472             | 20,470  | 4,650               |
| <b>Totals</b>                             | <b>162,900</b>      | <b>853,760</b>      | <b>853,721</b>      | <b>39</b>   | <b>93,712</b>       |
| <b>Community and activity centers</b>     |                     |                     |                     |   |                     |
| Supplies                                  | -                   | -                   | -                   | -   | 857                 |
| Services                                  | 6,500               | 6,910               | 7,249               | (339)   | 6,629               |
| Maintenance                               | 2,000               | 4,500               | 4,156               | 344   | 648                 |
| <b>Totals</b>                             | <b>8,500</b>        | <b>11,410</b>       | <b>11,405</b>       | <b>5</b>  | <b>8,134</b>        |
| <b>Municipal court</b>                    |                     |                     |                     |   |                     |
| Salaries                                  | 62,633              | 65,594              | 62,234              | 3,360   | 58,262              |
| Supplies                                  | 3,100               | 7,960               | 5,916               | 2,044   | 3,045               |
| Services                                  | 39,900              | 39,900              | 42,781              | (2,881)   | 26,390              |
| Maintenance                               | -                   | -                   | 1,888               | (1,888)   | -                   |
| Capital outlay                            | -                   | -                   | -                   | -   | 18,822              |
| <b>Totals</b>                             | <b>105,633</b>      | <b>113,454</b>      | <b>112,819</b>      | <b>635</b>  | <b>106,519</b>      |
| <b>Code enforcement</b>                   |                     |                     |                     |   |                     |
| Salaries                                  | 58,107              | 61,540              | 57,013              | 4,527   | 54,307              |
| Supplies                                  | 1,000               | 1,508               | 2,418               | (910)   | 1,384               |
| Services                                  | 13,900              | 2,350               | 1,718               | 632   | 13,974              |
| Maintenance                               | 4,700               | 4,700               | 4,640               | 60  | 4,770               |
| <b>Totals</b>                             | <b>77,707</b>       | <b>70,098</b>       | <b>65,789</b>       | <b>4,309</b>  | <b>74,435</b>       |
| <b>Library</b>                            |                     |                     |                     |   |                     |
| Salaries                                  | 120,726             | 115,925             | 101,604             | 14,321  | 121,623             |
| Supplies                                  | 4,300               | 4,314               | 2,915               | 1,399   | 5,255               |
| Services                                  | 10,200              | 10,200              | 9,114               | 1,086   | 13,645              |
| Maintenance                               | 2,600               | 4,325               | 5,576               | (1,251)   | 2,267               |
| Capital outlay                            | -                   | -                   | -                   | -   | 3,810               |
| <b>Totals</b>                             | <b>137,826</b>      | <b>134,764</b>      | <b>119,209</b>      | <b>15,555</b>   | <b>146,600</b>      |
| <b>Animal control</b>                     |                     |                     |                     |   |                     |
| Salaries                                  | 86,162              | 89,218              | 88,458              | 760   | 82,168              |
| Supplies                                  | 4,700               | 4,700               | 5,683               | (983)   | 4,510               |
| Services                                  | 1,900               | 1,900               | 1,717               | 183   | 3,065               |
| Maintenance                               | 4,700               | 4,700               | 815                 | 3,885   | 3,857               |
| Capital outlay                            | -                   | -                   | -                   | -   | 3,650               |
| <b>Totals</b>                             | <b>97,462</b>       | <b>100,518</b>      | <b>96,673</b>       | <b>3,845</b>  | <b>97,250</b>       |
| <b>Total Expenditures</b>                 | <b>\$ 4,388,730</b> | <b>\$ 5,020,199</b> | <b>\$ 4,994,803</b> | <b>\$ 25,396</b>  | <b>\$ 4,370,287</b> |

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Crime Control and Prevention District Fund**  
**For the Fiscal Year Ended September 30, 2020**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2019)**

|                                      | Budgeted<br>Amounts   |                | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | 2019<br>Actual |
|--------------------------------------|-----------------------|----------------|---|----------------|
|                                      | Original<br>and Final | 2020<br>Actual |   |                |
| <b>Revenues</b>                      |                       |                |   |                |
| Sales tax                            | \$ 75,000             | \$ 89,016      | \$ 14,016   | \$ 75,852      |
| Interest income                      | 500                   | 1,399          | 899   | 1,966          |
| Total revenues                       | 75,500                | 90,415         | 14,915  | 77,818         |
| <b>Expenditures</b>                  |                       |                |   |                |
| Administrative                       | 4,500                 | 1,668          | 2,832   | -              |
| Administrative services- other funds | 29,500                | 29,508         | (8)   | 29,500         |
| Equipment lease payment              | 46,809                | 115,112        | (68,303)  | -              |
| Capital outlay                       | 65,047                | -              | 65,047  | -              |
| Total expenditures                   | 145,856               | 146,288        | (432)   | 29,500         |
| Net change in fund balance           | (70,356)              | (55,873)       | \$ 14,483   | 48,318         |
| Fund balance, beginning of year      | 119,316               | 119,316        |   | 70,998         |
| Fund balance, end of year            | \$ 48,960             | \$ 63,443      |   | \$ 119,316     |

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Debt Service Fund**  
**For the Fiscal Year Ended September 30, 2020**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2019)**

|  | <b>Budgeted<br/>Amounts</b>   |                        | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> | <b>2019<br/>Actual</b> |
|--|-------------------------------|------------------------|---|------------------------|
|  | <b>Original<br/>and Final</b> | <b>2020<br/>Actual</b> |   |                        |
| <b>Revenues</b>                          |                               |                        |   |                        |
| Property taxes                           | \$ 168,000                    | \$ 178,527             | \$ 10,527   | \$ 176,569             |
| Interest Income                          | 300                           | 185                    | (115)   | 461                    |
| Total revenues                           | 168,300                       | 178,712                | 10,412  | 177,030                |
| <b>Expenditures</b>                      |                               |                        |   |                        |
| Debt and capitalized lease debt service: |                               |                        |   |                        |
| Principal retirement                     | 110,000                       | 110,000                | -   | 105,000                |
| Interest and fiscal charges              | 58,300                        | 58,300                 | -   | 61,000                 |
| Total expenditures                       | 168,300                       | 168,300                | -   | 166,000                |
| Net change in fund balance               | -                             | 10,412                 | <u>\$ 10,412</u>  | 11,030                 |
| Fund balance, beginning of year          | 39,435                        | 39,435                 |   | 28,405                 |
| Fund balance, end of year                | <u>\$ 39,435</u>              | <u>\$ 49,847</u>       |   | <u>\$ 39,435</u>       |

**CITY OF EVERMAN, TEXAS**  
**Statement of Operating Expenses**  
**- Budget and Actual -**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2020**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2019)**

|   | Budgeted<br>Amounts |                     | 2020<br>Actual      | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | 2019<br>Actual      |
|---|---------------------|---------------------|---------------------|---|---------------------|
|   | Original            | Final               |                     |   |                     |
| Water                                     |                     |                     |                     |   |                     |
| Salaries                                  | \$ 361,301          | \$ 378,125          | \$ 335,641          | \$ 42,484   | \$ 342,714          |
| Supplies                                  | 46,800              | 59,202              | 67,237              | (8,035)   | 49,662              |
| Services                                  | 129,300             | 149,760             | 209,425             | (59,665)  | 146,197             |
| Maintenance                               | 18,900              | 18,900              | 22,718              | (3,818)   | 22,328              |
| Equipment                                 | 11,200              | 49,200              | -                   | 49,200  | 5,550               |
| Totals                                    | <u>567,501</u>      | <u>655,187</u>      | <u>635,021</u>      | <u>20,166</u>   | <u>566,451</u>      |
| Sewer                                     |                     |                     |                     |   |                     |
| Supplies                                  | 6,200               | 6,200               | -                   | 6,200   | 775                 |
| Services                                  | 684,800             | 652,340             | 537,562             | 114,778   | 592,193             |
| Maintenance                               | 2,000               | 2,000               | 510                 | 1,490   | 614                 |
| Totals                                    | <u>693,000</u>      | <u>660,540</u>      | <u>538,072</u>      | <u>122,468</u>  | <u>593,582</u>      |
| Administrative services -<br>General fund | <u>294,000</u>      | <u>294,000</u>      | <u>308,150</u>      | <u>(14,150)</u>   | <u>240,000</u>      |
| Depreciation                              | <u>268,400</u>      | <u>268,400</u>      | <u>259,101</u>      | <u>9,299</u>  | <u>267,079</u>      |
| Total operating expenses                  | <u>\$ 1,822,901</u> | <u>\$ 1,878,127</u> | <u>\$ 1,740,344</u> | <u>\$ 137,783</u>   | <u>\$ 1,667,112</u> |

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of 2013 General Obligation Bonds Payable**  
**Debt Service Requirement in Future Years**  
**September 30, 2020**

|      | <u>Total<br/>Principal</u> | <u>Total<br/>Interest</u> | <u>Total<br/>Requirements</u> |
|------|----------------------------|---------------------------|-------------------------------|
| 2021 | \$ 115,000                 | \$ 54,525                 | \$ 169,525                    |
| 2022 | 115,000                    | 51,075                    | 166,075                       |
| 2023 | 120,000                    | 47,550                    | 167,550                       |
| 2024 | 125,000                    | 43,875                    | 168,875                       |
| 2025 | 125,000                    | 40,125                    | 165,125                       |
| 2026 | 130,000                    | 36,300                    | 166,300                       |
| 2027 | 135,000                    | 31,988                    | 166,988                       |
| 2028 | 140,000                    | 27,175                    | 167,175                       |
| 2029 | 145,000                    | 22,187                    | 167,187                       |
| 2030 | 150,000                    | 17,025                    | 167,025                       |
| 2031 | 155,000                    | 12,075                    | 167,075                       |
| 2032 | 160,000                    | 7,350                     | 167,350                       |
| 2033 | 165,000                    | 2,475                     | 167,475                       |
|      | <u>\$ 1,780,000</u>        | <u>\$ 393,725</u>         | <u>\$ 2,173,725</u>           |

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of 2020 Certificates of Obligation**  
**Debt Service Requirement in Future Years**  
**September 30, 2020**

|      | <u>Total<br/>Principal</u> | <u>Total<br/>Interest</u> | <u>Total<br/>Requirements</u> |
|------|----------------------------|---------------------------|-------------------------------|
| 2021 | \$ 85,000                  | \$ 55,198                 | \$ 140,198                    |
| 2022 | 80,000                     | 54,200                    | 134,200                       |
| 2023 | 85,000                     | 50,900                    | 135,900                       |
| 2024 | 90,000                     | 47,400                    | 137,400                       |
| 2025 | 90,000                     | 43,800                    | 133,800                       |
| 2026 | 95,000                     | 40,100                    | 135,100                       |
| 2027 | 100,000                    | 36,200                    | 136,200                       |
| 2028 | 105,000                    | 32,100                    | 137,100                       |
| 2029 | 110,000                    | 28,350                    | 138,350                       |
| 2030 | 110,000                    | 25,600                    | 135,600                       |
| 2031 | 110,000                    | 23,400                    | 133,400                       |
| 2032 | 115,000                    | 21,150                    | 136,150                       |
| 2033 | 115,000                    | 18,850                    | 133,850                       |
| 2034 | 120,000                    | 16,500                    | 136,500                       |
| 2035 | 120,000                    | 14,100                    | 134,100                       |
| 2036 | 125,000                    | 11,650                    | 136,650                       |
| 2037 | 125,000                    | 9,150                     | 134,150                       |
| 2038 | 130,000                    | 6,600                     | 136,600                       |
| 2039 | 130,000                    | 4,000                     | 134,000                       |
| 2040 | 135,000                    | 1,350                     | 136,350                       |
|      | <u>\$ 2,175,000</u>        | <u>\$ 540,598</u>         | <u>\$ 2,715,598</u>           |

**CITY OF EVERMAN, TEXAS**  
**Business-Type Activities**  
**Schedule of 2020 Certificates of Obligation**  
**Debt Service Requirement in Future Years**  
**September 30, 2020**

|      | <u>Total<br/>Principal</u> | <u>Total<br/>Interest</u> | <u>Total<br/>Requirements</u> |
|------|----------------------------|---------------------------|-------------------------------|
| 2021 | \$ 60,000                  | \$ 40,224                 | \$ 100,224                    |
| 2022 | 60,000                     | 39,500                    | 99,500                        |
| 2023 | 60,000                     | 37,100                    | 97,100                        |
| 2024 | 65,000                     | 34,600                    | 99,600                        |
| 2025 | 65,000                     | 32,000                    | 97,000                        |
| 2026 | 70,000                     | 29,300                    | 99,300                        |
| 2027 | 75,000                     | 26,400                    | 101,400                       |
| 2028 | 75,000                     | 23,400                    | 98,400                        |
| 2029 | 80,000                     | 20,700                    | 100,700                       |
| 2030 | 80,000                     | 18,700                    | 98,700                        |
| 2031 | 80,000                     | 17,100                    | 97,100                        |
| 2032 | 85,000                     | 14,450                    | 99,450                        |
| 2033 | 85,000                     | 13,750                    | 98,750                        |
| 2034 | 85,000                     | 12,050                    | 97,050                        |
| 2035 | 90,000                     | 10,300                    | 100,300                       |
| 2036 | 90,000                     | 8,500                     | 98,500                        |
| 2037 | 90,000                     | 6,700                     | 96,700                        |
| 2038 | 95,000                     | 4,850                     | 99,850                        |
| 2039 | 95,000                     | 2,950                     | 97,950                        |
| 2040 | 100,000                    | 1,000                     | 101,000                       |
|      | <u>\$ 1,585,000</u>        | <u>\$ 393,574</u>         | <u>\$ 1,978,574</u>           |

**CITY OF EVERMAN, TEXAS**  
**Business-Type Activities**  
**Schedule of Note Payable**  
**Debt Service Requirement in Future Years**  
**September 30, 2020**

|      | <u>Total<br/>Principal</u> | <u>Total<br/>Interest</u> | <u>Total<br/>Requirements</u> |
|------|----------------------------|---------------------------|-------------------------------|
| 2021 | \$ 69,578                  | \$ 17,977                 | \$ 87,555                     |
| 2022 | 73,621                     | 16,342                    | 89,963                        |
| 2023 | 78,103                     | 14,612                    | 92,715                        |
| 2024 | 82,770                     | 12,777                    | 95,547                        |
| 2025 | 89,172                     | 10,831                    | 100,003                       |
| 2026 | 91,267                     | 8,736                     | 100,003                       |
| 2027 | 93,412                     | 6,591                     | 100,003                       |
| 2028 | 95,607                     | 4,396                     | 100,003                       |
| 2029 | 91,453                     | 2,149                     | 93,602                        |
|      | <u>\$ 764,983</u>          | <u>\$ 94,411</u>          | <u>\$ 859,394</u>             |

**CITY OF EVERMAN, TEXAS**  
**Business-Type Activities**  
**Schedule of 2020 Certificates of Obligation (TWDB - DWSRF)**  
**Debt Service Requirement in Future Years**  
**September 30, 2020**

|      | <u>Total<br/>Principal</u> | <u>Total<br/>Interest</u> | <u>Total<br/>Requirements</u> |
|------|----------------------------|---------------------------|-------------------------------|
| 2021 | \$ 135,000                 | \$ 2,732                  | \$ 137,732                    |
| 2022 | 135,000                    | 2,079                     | 137,079                       |
| 2023 | 135,000                    | 2,079                     | 137,079                       |
| 2024 | 135,000                    | 2,079                     | 137,079                       |
| 2025 | 135,000                    | 2,079                     | 137,079                       |
| 2026 | 135,000                    | 2,079                     | 137,079                       |
| 2027 | 135,000                    | 2,079                     | 137,079                       |
| 2028 | 135,000                    | 2,079                     | 137,079                       |
| 2029 | 135,000                    | 2,079                     | 137,079                       |
| 2030 | 135,000                    | 2,079                     | 137,079                       |
| 2031 | 135,000                    | 2,079                     | 137,079                       |
| 2032 | 135,000                    | 2,079                     | 137,079                       |
| 2033 | 135,000                    | 2,045                     | 137,045                       |
| 2034 | 135,000                    | 1,958                     | 136,958                       |
| 2035 | 135,000                    | 1,809                     | 136,809                       |
| 2036 | 135,000                    | 1,593                     | 136,593                       |
| 2037 | 135,000                    | 1,330                     | 136,330                       |
| 2038 | 135,000                    | 1,019                     | 136,019                       |
| 2039 | 135,000                    | 648                       | 135,648                       |
| 2040 | 135,000                    | 222                       | 135,222                       |
|      | <u>\$ 2,700,000</u>        | <u>\$ 36,225</u>          | <u>\$ 2,736,225</u>           |

**CITY OF EVERMAN, TEXAS**  
**Schedule of Insurance Coverage**  
**September 30, 2020**

| Type of Coverage                          | Effective Dates |           | Premium           | Policy # | Amount of Coverage | Insurer  |
|---|-----------------|-----------|-------------------|----------|--------------------|--|
|   | From            | To        |                   |          |                    |  |
| General Liability                         | 10/1/2019       | 10/1/2020 | \$ 2,082          | 3663     | \$ 1,000,000       | Texas Municipal League Intergovernmental Risk Pool |
| Real and Personal Property                | 10/1/2019       | 10/1/2020 | 12,010            | 3663     | 9,793,691          | Texas Municipal League Intergovernmental Risk Pool |
| Mobile Equipment                          | 10/1/2019       | 10/1/2020 | 1,011             | 3663     | 234,768            | Texas Municipal League Intergovernmental Risk Pool |
| Boiler & Machinery                        | 10/1/2019       | 10/1/2020 | Included          | 3663     | 500,000            | Texas Municipal League Intergovernmental Risk Pool |
| Cyber Liability Info Security and Privacy | 10/1/2019       | 10/1/2020 | Included          | 3663     | 1,000,000          | Texas Municipal League Intergovernmental Risk Pool |
| Cyber Liability Breach Response           | 10/1/2019       | 10/1/2020 | Included          | 3663     | 50,000             | Texas Municipal League Intergovernmental Risk Pool |
| Law Enforcement Liability                 | 10/1/2019       | 10/1/2020 | 7,308             | 3663     | 1,000,000          | Texas Municipal League Intergovernmental Risk Pool |
| Errors & Omissions Liability              | 10/1/2019       | 10/1/2020 | 3,450             | 3663     | 1,000,000          | Texas Municipal League Intergovernmental Risk Pool |
| Automobile Liability                      | 10/1/2019       | 10/1/2020 | 23,059            | 3663     | 1,000,000          | Texas Municipal League Intergovernmental Risk Pool |
| Auto Physical Damage                      | 10/1/2019       | 10/1/2020 | 14,187            | 3663     | ACV                | Texas Municipal League Intergovernmental Risk Pool |
| Public Employee Dishonesty                | 10/1/2019       | 10/1/2020 | 540               | 3663     | 100,000            | Texas Municipal League Intergovernmental Risk Pool |
| Workers Compensation                      | 10/1/2019       | 10/1/2020 | <u>56,339</u>     | 3663     | Statutory Limits   | Texas Municipal League Intergovernmental Risk Pool |
| Total Premiums                            |                 |           | <u>\$ 119,986</u> |          |                    |  |

Note: This statement is presented for information only and is not intended as an expression as to adequacy of coverage.

**OVERALL COMPLIANCE AND  
INTERNAL CONTROL SECTION**



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members of the City Council  
City of Everman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Everman, Texas' basic financial statements and have issued our report thereon dated April 6, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weakness or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

**Compliance and Other Matters**

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

### **City of Everman, Texas' Response to Findings**

City of Everman, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Everman, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Snow Garrett Williams

April 6, 2021

**City of Everman, Texas**  
**Schedule of Findings and Responses**  
**September 30, 2020**

The following finding is required to be reported in accordance with *Government Auditing Standards*:

Finding 2020-001 – Internal Controls Over Financial Reporting – Material Weakness

Condition:

Material adjusting journal entries were necessary to correct and adjust balances in order to prepare accurate financial statements.

Effect:

The financial statements were materially misstated prior to the City recording adjusting entries to reclassify cash and accounts payable as well as to correctly record bond proceeds, adjust sales taxes receivable, and reclassify capital asset additions and disposals at year end. As a result, financial reports prepared throughout the fiscal year may have been relied upon in error.

Cause:

Several factors attributed to the condition above including changes in key personnel and the issuance of debt in both the governmental and proprietary funds. As a result, fixed asset additions and disposals were not tracked throughout the year and bond proceeds and related transactions were not entered into the accounting system correctly.

Criteria:

Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budgeted amounts, prepare long-range financial plans, and to safeguard assets.

Auditor's Recommendation:

The City should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions in a timely manner to produce more useful and accurate reports. Additionally, we recommend that the City review the content of the audit adjustments in order to understand the purpose of the adjustments, reclassifications, or corrections and incorporate these entries into the City's monthly or year-end accounting transactions.

Management's Response and Planned Corrective Action:

Fiscal year 2020 proved to be a tremendously difficult and awkward year for the City of Everman. The City was faced with multiple challenges including an unprecedented global pandemic, issuance of debt in both the governmental and proprietary funds, and turnover in multiple key administrative positions. Following the employee turnover, Finance Director Susanne Helgesen performed numerous internal audits and process reviews which led her to correct and update many of the City's policies and procedures to prevent similar instances from occurring in the future. Naturally, throughout this process, several pre-existing issues were identified and have also been corrected. Finally, many of the adjusting journal entries were a result of extraordinary situations that are not expected to occur again in the near future; however, the City will continue to work closely with the auditors to prevent the large number of adjusting journal entries in the future.

