

**CITY OF CONVERSE ECONOMIC  
DEVELOPMENT CORPORATION**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**



CITY OF

**CONVERSE**  
CONNECTING COMMUNITY + COMMERCE™

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ECONOMIC DEVELOPMENT CORPORATION

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2020

BOARD OF DIRECTORS

President.....ROSA GARY  
Vice-President ..... DANIEL CASTELLANOS  
Director ..... ETHEL WILLARD-CREWS  
Director ..... WILLIAM RODRIGUEZ  
Director ..... VERONIKA ROSIN  
Director .....JUAN RODRIGUEZ  
Director .....KENTREAL ALEXANDER  
Executive Director.....JIMSI KUBORN



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ECONOMIC DEVELOPMENT CORPORATION

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ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2020

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the President  
and Members of the Board of Directors  
City of Converse Economic Development Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the City of Converse Economic Development Corporation (a component unit of the City of Converse, Texas), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Converse Economic Development Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

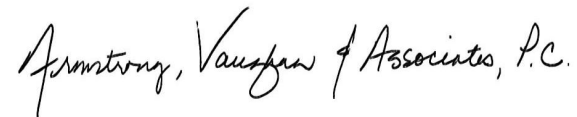
## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of Converse Economic Development Corporation, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, and pension and other post employment benefit schedules as listed in the table of contents 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.



Armstrong, Vaughan & Associates, P.C.

March 23, 2021

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Converse Economic Development Corporation’s, a component unit of the City of Converse, Texas, financial performance provides an overview of the Corporation’s financial activity for the fiscal year ended September 30, 2020. It should be read in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- The Corporation’s net position was \$6.3 million at September 30, 2020.
- The Corporation’s total revenues for fiscal 2020 were \$1.3 million while total expenses were \$892 thousand.
- The Corporation sold real property during the fiscal year at a gain of \$549 thousand.
- The Corporation did not issue any new debt during the fiscal year under audit.
- The Corporation granted \$231 thousand to local businesses to assist with pandemic-related expenses.

**CORPORATION HIGHLIGHTS**

The City of Converse Economic Development Corporation was formed on March 21, 2000, under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section 4B. It receives all its proceeds from the 1/2 cent sales tax adopted in 2003 for economic development in the City of Helotes. This rate has since been amended to 1/4 cent.

**USING THIS ANNUAL REPORT**

This annual report consists of three parts: Management’s Discussion and Analysis, Financial Statements and Required Supplementary Information. The Statement of Net Position and Activities provides information on the Corporation as a whole. The Corporation’s net position—the difference between assets and liabilities—provides one way to measure financial health or financial position.

**STATEMENT OF NET POSITION**

Table 1 shows all of the assets and liabilities of the Corporation and is presented on the accrual basis. The total net position is \$6.3 million.

Table A-1  
City of Converse Economic Development Corporation  
Net Position

	2020	2019
Current Assets	\$ 3,356,905	\$ 2,511,521
Other Assets	4,248,902	4,767,486
<b>Total Assets</b>	<b>7,605,807</b>	<b>7,279,007</b>
Deferred Outflows - Pensions	28,766	60,502
Deferred Inflows - OPEB	1,081	1,490
	<u>29,847</u>	<u>61,992</u>
Current Liabilities	233,012	26,306
Non-Current Liabilities	1,089,078	1,439,210
<b>Total Liabilities</b>	<b>1,322,090</b>	<b>1,465,516</b>
Deferred Inflows - Pensions	19,180	1,349
	<u>19,180</u>	<u>1,349</u>
Net Investment in Capital Assets	3,147,902	3,530,486
Unrestricted Assets	3,146,482	2,343,648
<b>Total Net Position</b>	<b>\$ 6,294,384</b>	<b>\$ 5,874,134</b>



## STATEMENT OF ACTIVITIES

Table A-2 shows all of the expenses and revenues of the Corporation for fiscal 2020 and is also presented on the accrual basis. General Revenues consist of the 1/4 cent sales tax, the gain on sale of real property, and interest earned.

Table A-2  
City of Converse Economic Development Corporation  
Changes in Net Position

	2020	2019
Sales Taxes	\$ 733,625	\$ 847,248
Other Revenues	578,994	59,649
<b>Total Revenues</b>	<u>1,312,619</u>	<u>906,897</u>
<b>Total Expenses</b>	<u>892,369</u>	<u>717,341</u>
Change in Net Position	<u>\$ 420,250</u>	<u>\$ 189,556</u>

## BALANCE SHEET

The Balance Sheet shows the assets, liabilities and fund balance of the Corporation.

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

This Statement shows the revenues and expenditures of the Corporation. As stated earlier, the 1/4 cent sales tax provides most of the Corporation's revenue. The interest amount was derived from Corporation funds invested and from funds on deposit. The net of the revenues and expenditures is the change in fund balance.

## DESCRIPTION OF CURRENT AND EXPECTED CONDITIONS

The Converse Economic Development Corporation mission is to create and retain jobs and to promote capital investment in Converse, TX. Despite ongoing factors related to the international pandemic, the Corporation is forging ahead on their strategic plan and goals. Those include working with a number of prospective projects to increase investment and commercial development within Converse. The Corporation is also working with two existing businesses in Converse on expansions of their facilities and workforce. The largest accomplishments of the organization during the fiscal year were selling two properties they owned for new developments on FM 78 & Center Str. Also, placing one more property under contract for a new office/service business park.

The Corporation pivoted for on-demand local business retention needs by launching a COVID-19 Small Business Assistance Grant, helping 48 businesses. Monitoring the impact of the pandemic on local businesses will continue and the organization will continue to make adjustments as needs to its operating activities and financial budget.

## CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability to its taxpayers. If you have any questions about this report or need additional financial information, contact the City's Administration Department at the City of Converse, 406 S. Seguin, Converse, Texas 78109.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$ 3,217,482
Accounts Receivable	139,423
<i>Total Current Assets</i>	<u>3,356,905</u>

*Other Assets:*

Capital Assets (net of accumulated depreciation)	<u>4,248,902</u>
<i>Total Other Assets</i>	<u>4,248,902</u>
<b>TOTAL ASSETS</b>	<u><u>7,605,807</u></u>

**DEFERRED OUTFLOW OF RESOURCES**

Deferred Outflows - Pensions	28,766
Deferred Outflows - OPEB	<u>1,081</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u><u>29,847</u></u>

**LIABILITIES**

*Current Liabilities:*

Accounts Payable	78,561
Accrued Interest	11,669
Compensated Absences	1,782
Current Portion of Long-Term Debt	<u>141,000</u>
<i>Total Current Liabilities</i>	<u><u>233,012</u></u>

*Long-Term Liabilities:*

Compensated Absences	5,346
Net Other Postemployment Benefit Obligation	11,218
Net Pension Benefit Obligation	112,514
Long-Term Debt	<u>960,000</u>
<i>Total Long-Term Liabilities</i>	<u><u>1,089,078</u></u>
<b>TOTAL LIABILITIES</b>	<u><u>1,322,090</u></u>

**DEFERRED INFLOW OF RESOURCES**

Deferred Inflows - Pensions	<u>19,180</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u><u>19,180</u></u>

**NET POSITION**

Net Investment in Capital Assets	3,147,902
Unrestricted	<u>3,146,482</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 6,294,384</u></u>

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

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

**EXPENSES**

Economic Development	\$ 892,369
<b>TOTAL EXPENSES</b>	<u>892,369</u>

**REVENUES**

*General Revenues:*

Sales Tax	733,625
Interest Income	30,025
Gain on Sale of Land	<u>548,969</u>
<i>Total General Revenues</i>	<u>1,312,619</u>
<b>TOTAL REVENUES</b>	<u>1,312,619</u>

<i>Change in Net Position</i>	420,250
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<b>BEGINNING NET POSITION</b>	<u>5,874,134</u>
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<b>ENDING NET POSITION</b>	<u><u>\$ 6,294,384</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
BALANCE SHEET  
SEPTEMBER 30, 2020

**ASSETS**

Cash and Cash Equivalents	\$ 3,217,482
Accounts Receivable	<u>139,423</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,356,905</u></b>

**LIABILITIES & FUND BALANCE**

*Liabilities:*

Accounts Payable	\$ 60,469
Accrued Expenditures	18,092
Accrued Interest	<u>11,669</u>
<i>Total Liabilities</i>	<u>90,230</u>

*Fund Balance:*

Unassigned	<u>3,266,675</u>
<i>Total Fund Balance</i>	<u>3,266,675</u>

<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 3,356,905</u></b>
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The accompanying notes are an integral part of these financial statements.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

<b>TOTAL FUND BALANCE</b>		\$ 3,266,675
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.		4,248,902
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the fund.		
Revenue Bonds Payable	(1,101,000)	
Compensated Absences	<u>(7,128)</u>	(1,108,128)
The governmental fund reports pension and other postemployment benefit contributions as expenditures when paid. However, in the statement of activities, differences between pension plan and other post employment benefit contributions and costs for for the year are reported as an asset or an obligation.		
Deferred Pension Outflows	28,766	
Deferred Other Post Employment Benefit Outflows	1,081	
Net Other Postemployment Benefit Obligation	(11,218)	
Net Pension Benefit Obligation	(112,514)	
Deferred Pension Inflows	<u>(19,180)</u>	<u>(113,065)</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ 6,294,384</u></u>

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

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>REVENUES</b>	
Sales Tax	\$ 733,625
Interest Income	30,126
<b>TOTAL REVENUES</b>	<u>763,751</u>
 <b>EXPENDITURES</b>	
<i>Current:</i>	
Board of Directors	683
Administration	592,608
Marketing	8,874
Contributions to Primary Government	81,932
Facility Maintenance	23,585
Capital Outlay	155,970
<i>Debt Service:</i>	
Principal	136,000
Interest	40,379
<b>TOTAL EXPENDITURES</b>	<u>1,040,031</u>
 <b>Excess of Revenues over Expenditures</b>	 (276,280)
 <b>OTHER FINANCING SOURCES</b>	
Sale of Fixed Assets	<u>1,057,740</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>1,057,740</u>
 <b>Change in Net Position</b>	 781,460
 <b>FUND BALANCE AT BEGINNING OF YEAR</b>	 <u>2,485,215</u>
 <b>FUND BALANCE AT END OF YEAR</b>	 <u><u>\$ 3,266,675</u></u>

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

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2020

<b>NET CHANGE IN FUND BALANCE</b>		<b>\$ 781,460</b>
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life. This is the amount by which depreciation exceeded capital outlay.		(9,813)
In the Statement of Activities, only the gain or loss on the disposal of a capital asset is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of disposed assets.		(508,771)
The issuance of long-term debt 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 affect on net position. This amount reflects the net effect of these differences.		
Principal Repayments	136,000	136,000
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	(367)	
Net Pension Benefit Obligation	107,575	
Net Other Postemployment Benefit Obligation	(85,834)	21,374
<b>CHANGE IN NET POSITION</b>		<b>\$ 420,250</b>

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

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

The City of Converse Economic Development Corporation (the Corporation), a component unit of the City of Converse, Texas, is a nonprofit corporation and is organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the Corporation. Specifically, the Corporation may issue bonds, notes, and other forms of debt instruments on behalf of the City of Converse, Texas. It may also acquire, maintain, lease, and sell property and interests therein, on behalf of the Corporation as authorized by Section 4B, currently referred to as Title B of the Development Corporation Act of 1979 to promote economic development with the Corporation and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for, and on behalf of the Corporation.

The affairs of the Corporation are managed by the seven (7) members of the Board of Directors which is appointed by the Corporation Council of the City of Converse, Texas.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements present the financial position and results of operations of the Corporation only.

2. Basis of Presentation

GASB Statement No. 34 mandates government-wide financial statements of net position and activities, which are presented on the measurement and accrual basis of accounting. It also requires that capital assets be recorded at cost less accumulated depreciation.

The Corporation also presents fund financial statements relevant to the operations of the Corporation.

Governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service which are recognized when paid.

3. Budgets

The Corporation adopts an annual operating budget which is approved by the Board of Directors and City Council. Formal budgetary accounting is employed as a management control. The budget can be amended by the Board of Directors. Actual expenditures cannot legally exceed budgeted appropriations at the fund level. All budgeted appropriations lapse at the end of each fiscal year. The budget is presented on the modified accrual basis of accounting.



CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Corporation.

5. Investments

Investments consist of investments in Texas Class (a public funds investment pool). Investments are recorded at fair value, except for short-term (one year or less to maturity at time of purchase) participating interest-earning investment contracts which are reported at amortized cost. In addition, non-participating contracts (such as nonnegotiable certificates of deposit) are reported at amortized cost.

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM (or equivalent) rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

6. Related Party Transactions

During the course of operations, numerous transactions occur between the Corporation and the Corporation. These receivables and payables (if any) are classified as “due from primary government” or “due to primary government” on the balance sheet and statement of net position.

7. Capital Assets

Capital assets, which include property and buildings, are capitalized at total acquisition cost. Depreciation (where applicable) is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives.

8. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the statement of net position. Long-term liabilities, and related accrued interest payable, are recognized as a liability on the governmental fund financial statement (balance sheet) when due and payable.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Compensated Absences

It is the Corporation's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits. There is no liability for unpaid accumulated sick leave since the Corporation does not have a policy to pay any amounts when employees separate from the service with the Corporation. All vacation and compensatory time pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or notes receivable; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or ending legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Directors – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the Corporation's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has not designated the authority to assign amounts to be used for specific purposes.

*Unassigned fund balance.* This fund balance is the residual classification for fund equity.

When both restricted and unrestricted resources are available for use, it is the corporation's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any loans used to purchase, construct, or improve those assets.

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

As of September 30, 2020, the Corporation's deposits were included in the depository agreement of the Corporation. The combined deposits of the Corporation and Corporation were fully collateralized through a combination of FDIC coverage and pledged collateral.

2. Investments

The Corporation is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE B -- DEPOSITS AND INVESTMENTS (CONTINUED)

2. Investments (Continued)

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

The Act determines the types of investments which are allowable for the Corporation. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

As of September 30, 2020, the Corporation had invested \$3,111,553 in Texas CLASS, a AAAM rated local government investment pool. The investment is carried at a share price of \$1 which approximates fair value and is included in cash and cash equivalents.

*Interest Rate Risk.* As a means of limiting exposure to fair value losses arising from rising interest rates, the Corporation’s investment policy limits the Corporation’s investment portfolio to highly liquid investments to meet unanticipated cash requirements, and/or to redeploy cash into other investments expected to outperform current holdings.

*Credit Risk.* The investment policy limits investments to obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm. The Corporation is not exposed to credit risk.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Corporation is not exposed to custodial credit risk.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the governmental securities were held by its agent in the Corporation’s name.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE C -- CAPITAL ASSETS

Activity for assets capitalized by the Corporation is summarized below:

	Balance 10/1/2019	Additions	Transfers/ Disposals	Balance 9/30/2020
Land	\$ 4,637,324	\$ -	\$ (508,771)	\$ 4,128,553
Buildings and Improvements	155,554	-	-	155,554
Equipment and Fixtures	26,650	-	-	26,650
Less Accumulated Depreciation	(52,042)	(9,813)	-	(61,855)
	<u>\$ 4,767,486</u>	<u>\$ (9,813)</u>	<u>\$ (508,771)</u>	<u>\$ 4,248,902</u>

Land is not depreciated.

NOTE D -- LONG-TERM LIABILITIES

The following is a summary of changes in the Corporation's total governmental long-term liabilities as of September 30, 2020.

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020	Due in One Year
Sales Tax Bonds	\$ 1,237,000	\$ -	\$ (136,000)	\$ 1,101,000	\$ 141,000
Compensated Absences	6,760	2,058	(1,690)	7,128	-
Total OPEB Liability	17,982		(6,764)	11,218	-
Net Pension Liability	176,864		(64,350)	112,514	-
	<u>\$ 1,438,606</u>	<u>\$ 2,058</u>	<u>\$ (208,804)</u>	<u>\$ 1,231,860</u>	<u>\$ 141,000</u>

*Sales Tax Revenue Bonds*

In 2017, the Corporation issued \$1,479,000 to acquire, renovate and improve four parcels of land located at FM 78 and Center Street in Converse, Texas. The stated interest rate is 3.5% and mature serially through February 1, 2027. These bonds were privately placed with a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences. Requirements to fully amortize this debt is as follows:

Year Ended Sep. 30	Principal	Interest	Total Principal & Interest
2021	\$ 141,000	\$ 36,068	\$ 177,068
2022	146,000	31,045	177,045
2023	152,000	25,830	177,830
2024	157,000	20,423	177,423
2025	163,000	14,823	177,823
2026-2027	342,000	12,075	354,075
	<u>\$ 1,101,000</u>	<u>\$ 140,264</u>	<u>\$ 1,241,264</u>

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE E -- EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

**Plan Description**

The Corporation 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 Corporation are required to participate in TMRS retirement system

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Corporation-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the Corporation, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the Corporation matching percent is currently 2 to 1.

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

	2019	2020
Active employees	3	3
	3	3

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE E -- EMPLOYEE RETIREMENT SYSTEM (Continued)

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Corporation matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Corporation. Under the state law governing TMRS, the contribution rate for each Corporation 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 Corporation were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Corporation were 13.82% and 13.35% in calendar years 2019 and 2020, respectively. The Corporation's contributions to TMRS for the year ended September 30, 2020 were \$27,595, which equaled 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 Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

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; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE E -- EMPLOYEE RETIREMENT SYSTEM (Continued)

**Actuarial Assumptions (Cont.)**

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 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is 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.

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, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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%
	<u>100.00%</u>	



CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE E -- EMPLOYEE RETIREMENT SYSTEM (Continued)

**Actuarial Assumptions (Cont.)**

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 the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

The below schedule represents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 828,616	\$ 651,751	\$ 176,865
Changes for the year:			
Service Cost	31,978	-	31,978
Interest	47,002	-	47,002
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	2,360	-	2,360
Changes of Assumptions	4,230	-	4,230
Contributions - Employer	-	26,568	(26,568)
Contributions - Employee	-	13,525	(13,525)
Net Investment Income	-	110,317	(110,317)
Benefit Payments, Including Refunds of Employee Contributions	(23,447)	(23,447)	-
Administrative Expense	-	(473)	473
Other Changes	-	(14)	14
Net Changes	<u>62,124</u>	<u>126,475</u>	<u>(64,351)</u>
Balance at December 31, 2019	<u>\$ 890,740</u>	<u>\$ 778,226</u>	<u>\$ 112,514</u>

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 238,450	\$ 112,514	\$ 11,563

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE E -- EMPLOYEE RETIREMENT SYSTEM (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/Inflows of Resources Related to Pensions**

For the year ended September 30, 2020, the Corporation recognized pension expense of \$31,890. Also as of September 30, 2020, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 19,180
Changes in Actuarial Assumptions	3,165	-
Differences Between Projected and Actual Investment Earnings	4,689	-
Contributions Subsequent to the Measurement Date	20,912	-
	\$ 28,766	\$ 19,180

Deferred outflows of resources in the amount of \$20,912 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2020	\$ (2,025)
2021	(2,669)
2022	2,816
2023	(9,448)
	\$ (11,326)

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE F -- OTHER POST EMPLOYMENT BENEFIT

The City allows any employee retiring from the City with at least 15 years of service to participate in the group health insurance coverage provided by the City. Retirees would be responsible for 100% of the plan premiums; however, the City would contribute up to \$3,500 per year (\$7,000 per family per year) towards the retiree's deductible through a health savings account. All coverage ends when the retiree reaches age 65. The Corporation is included in this plan.

In order to be eligible for the Plan, the retiree must separate from service with at least 15 years of service with the City and be a current recipient of retirement benefits from TMRS if employed before April 1, 2016 or 20 years of service with the City and be a current recipient of retirement benefits from TMRS if employed on or after April 1, 2016. The health care benefit of the Plan is available to the spouse and any dependent(s) if they were on the Plan at the beginning of the Plan year in which the employee retires. Furthermore, a dependent is eligible for coverage if they have not reached age 25. Eligibility for coverage for spouse ends when Medicare coverage begins.

**Funding Policy**

The City has elected to subsidize premiums for the Plan and funding is provided on a pay-as-you-go basis.

**Total OPEB Liability**

The Corporation's Total OPEB liability of \$11,218 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total OPEB liability at the December 31, 2019 actuarial valuation date was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.71% (Based on Fidelity's 20-Year Municipal GO AA Index)
Actuarial Cost Method	Entry Age Normal
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-based RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
Participation Rates	30% of all eligible retirees.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE F -- OTHER POST EMPLOYMENT BENEFIT (CONT.)

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at Beginning of Year	<u>\$ 17,982</u>
Changes for the year:	
Service Cost	536
Interest	380
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(7,842)
Changes in Assumptions or Other Inputs	817
Benefit Payments	<u>(655)</u>
Net Changes	<u>(6,764)</u>
Balance at End of Year	<u><u>\$ 11,218</u></u>

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

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability	\$ 12,359	\$ 11,218	\$ 10,198

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the healthcare cost trend rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability to Healthcare	\$ 9,952	\$ 11,218	\$ 12,761

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE F -- OTHER POST EMPLOYMENT BENEFIT (CONT.)

**OPEB Expense and deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended September 30, 2020, the Corporation reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ -	\$ 166
Changes in Actuarial Assumptions	725	-
Contributions Subsequent to the Measurement Date	522	-
	<u>\$ 1,247</u>	<u>\$ 166</u>

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

For the Plan Year ended December 31,	
2021	\$ 81
2022	81
2023	81
2024	81
2025	81
Thereafter	155
	<u>\$ 559</u>

**Underlying Retiree Claims Cost Development**

Following are the monthly per capita costs/premiums for the plan year beginning January 1, 2020:

<u>For Those Not Eligible for Medicare</u>		
<u>Age</u>	<u>Male</u>	<u>Female</u>
40	\$ 316	\$ 514
50	513	632
60	872	858
64	1,060	1,000

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

NOTE G -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with Travelers to provide coverage for property and casualty insurance, and with Texas Mutual to provide workers compensation coverage. Premiums are set annually by the providers.

NOTE H -- PLEDGED REVENUE

The Corporation has committed to funding a portion of the City's certificates of obligation, series 2014. The original issue was \$4 million with interest rates ranging from 2% to 4% and fully-maturing on February 1, 2034. The Corporation has committed to funding \$1.2 million over the life of the certificates. Annual requirements to satisfy the commitment are as follows:

Year Ended <u>Sep. 30</u>	<u>Pledged Revenue</u>
2021	\$ 85,794
2022	84,281
2023	82,631
2024	80,981
2025	84,256
2026-2030	415,403
2031-2034	<u>330,100</u>
Total Pledged	<u>\$ 1,163,446</u>

NOTE I -- CONTINGENCIES

Management is not aware of any pending or threatened litigation that may have a material effect on the financial position of the Corporation.

NOTE J -- SUBSEQUENT EVENT

The Corporation sold 1.86 acres of real property at a contract price of \$540,000. The settlement date of the contract was December 11, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		from Final Favorable (Unfavorable)
<b>REVENUES</b>				
Sales Tax	\$ 660,000	\$ 660,000	\$ 733,625	\$ 73,625
Interest Income	50,000	50,000	30,126	(19,874)
<b>TOTAL REVENUES</b>	<u>710,000</u>	<u>710,000</u>	<u>763,751</u>	<u>53,751</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Board of Directors	4,750	4,750	683	4,067
Administration	446,813	695,203	592,608	102,595
Marketing	61,682	61,682	8,874	52,808
Contributions to Primary Government	-	-	81,932	(81,932)
Facility Maintenance	26,000	28,500	23,585	4,915
Capital Outlay	755,000	504,000	155,970	348,030
<i>Debt Service:</i>				
Principal	186,000	186,000	136,000	50,000
Interest	78,896	79,006	40,379	38,627
<b>TOTAL EXPENDITURES</b>	<u>1,559,141</u>	<u>1,559,141</u>	<u>1,040,031</u>	<u>519,110</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of Fixed Assets	849,141	849,141	1,057,740	\$ 208,599
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>849,141</u>	<u>849,141</u>	<u>1,057,740</u>	<u>208,599</u>
<b>Net Change in Fund Balance</b>	-	-	<b>781,460</b>	781,460
<b>Fund Balance at Beginning of Year</b>	<u>2,485,215</u>	<u>2,485,215</u>	<u>2,485,215</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 2,485,215</u>	<u>\$ 2,485,215</u>	<u>\$ 3,266,675</u>	<u>\$ 781,460</u>



CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SEPTEMBER 30, 2020

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Corporation maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the Board of Directors and is a good management control device.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The Corporation did not exceed the budgeted expenditures during 2020.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE LAST FIVE CALENDAR YEARS

	Total Pension Liability				
	2015	2016	2017	2018	2019
Service Cost	\$ 27,553	\$ 28,230	\$ 35,485	\$ 34,459	\$ 31,978
Interest (on the Total Pension Liability)	43,864	43,122	51,590	50,275	47,002
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	(2,492)	(6,413)	2,644	6,134	2,360
Change of Assumptions	2,448	-	-	-	4,230
Benefit Payments, Including Refunds of Employee Contributions	(20,455)	(32,281)	(28,521)	(30,117)	(23,447)
Net Change in Total Pension Liability	50,918	32,658	61,198	60,751	62,124
Total Pension Liability - Beginning	623,091	674,009	706,667	767,865	828,616
Total Pension Liability - Ending	<u>\$674,009</u>	<u>\$706,667</u>	<u>\$767,865</u>	<u>\$828,616</u>	<u>\$890,740</u>
	Plan Fiduciary Net Position				
	2015	2016	2017	2018	2019
Contributions - Employer	\$ 24,211	\$ 23,243	\$ 30,592	\$ 29,423	\$ 26,568
Contributions - Employee	11,935	11,757	14,830	14,504	13,525
Net Investment Income	748	33,619	83,506	(19,017)	110,317
Benefit Payments, Including Refunds of Employee Contributions	(20,455)	(32,281)	(28,521)	(30,117)	(23,447)
Administrative Expense	(456)	(380)	(433)	(367)	(473)
Other	(1,579)	(20)	(22)	(19)	(14)
Net Change in Plan Fiduciary Net Position	14,404	35,938	99,952	(5,593)	126,475
Plan Fiduciary Net Position - Beginning	507,050	521,454	557,392	657,344	651,751
Net Pension Liability - Ending	<u>\$521,454</u>	<u>\$557,392</u>	<u>\$657,344</u>	<u>\$651,751</u>	<u>\$778,226</u>
Net Pension Liability (Asset) - Ending	\$ 152,555	\$ 149,275	\$ 110,521	\$ 176,865	\$ 112,514
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.37%	78.88%	85.61%	78.66%	87.37%
Covered Payroll	\$ 170,500	\$ 178,362	\$ 211,853	\$ 215,973	\$ 193,223
Net Pension Liability as a Percentage of Covered Payroll	89.48%	83.69%	52.17%	81.89%	58.23%

Only five years of information is currently available. The Corporation will build this schedule prospectively until ten years are presented.

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE LAST FIVE FISCAL YEARS

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 26,194	\$ 26,138	\$ 32,083	\$ 30,461	\$ 27,743
Contributions in Relation to the Actuarially Determined Contribution	<u>26,194</u>	<u>26,138</u>	<u>32,083</u>	<u>30,461</u>	<u>27,743</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 188,045	 \$ 182,739	 \$ 225,072	 \$ 219,897	 \$ 201,473
 Contributions as a Percentage of Covered Payroll	 13.93%	 14.30%	 14.25%	 13.85%	 13.77%

*Notes to Schedule of Contributions*

Change in Benefit Terms: None

Changes in Assumptions: None

CITY OF CONVERSE ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS  
RETIREE HEALTH CARE PLAN  
FOR THE LAST THREE CALENDAR YEARS

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 743	\$ 771	\$ 536
Interest	637	541	380
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(69)	(7,842)
Changes in Assumptions or Other Inputs	818	(616)	817
Benefit Payments	(844)	(766)	(655)
Net Change in Total Pension Liability	1,354	(139)	(6,764)
Total OPEB Liability - Beginning	16,767	18,121	17,982
Total OPEB Liability - Ending	<u>\$ 18,121</u>	<u>\$ 17,982</u>	<u>\$ 11,218</u>
Covered Payroll	\$ 186,754	\$ 189,375	\$ 193,223
Total OPEB Liability as a Percentage of Covered Payroll	9.70%	9.50%	5.81%

***Notes to Schedule***

Changes in Benefit Terms: None

Changes in Assumptions: None

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become

**Methods and Assumptions Used to Determine Contribution Rates:**

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.71% (Based on Fidelity's 20-Year Municipal GO AA Inde
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
Participation Rates	30% of eligible retirees.

Only three years of information is currently available. The Corporation will build this schedule prospectively until ten years are presented.



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