

CITY OF PATTISON, TEXAS

Financial Statements

with

Report of Independent Auditor

Nine months ended September 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Pattison, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Pattison, Texas, as of and for the nine months ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 each major fund of the City of Pattison, Texas, as of September 30, 2020, and the respective changes in financial position and, the respective budgetary comparison for the General Fund for the nine months 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 management's discussion and analysis 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.

*Seidel Schroeder*

Brenham, Texas  
March 1, 2021

CITY OF PATTISON  
P.O. Box 223  
Pattison, Texas 77466

### Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial activities of the City of Pattison for the nine months ended September 30, 2020. The information presented herein should be considered in conjunction with the financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

This report has been prepared under the reporting guidelines mandated by the Governmental Accounting Standards Board Statement 34 and consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are statements required under GASB 34 and provide information about the activities of the City as a whole and present a longer-term view of the city's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements report the City's operations in more detail than the government wide statements by providing information about the City's most significant funds.

### Financial Highlights

- The assets of the City at the close of the most recent fiscal year were \$1,214,703.
- The City's total net position decreased by \$2,061.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$737,642.

### Overview of the Financial Statements

The annual report consists of four parts – Independent Auditors Report, Management Discussion and Analysis, Basic Financial Statements and Fund Financial Statements.

- The first two statements are Statements of Net Position and Statements of Activities.
- The remaining statements are fund financial statements that include governmental funds.
- The governmental funds statements tell how general government services were funded and what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more details.

### Reporting the City as a Whole

The accompanying **Government Wide Financial Statements** include two statements that present financial data for the city as a whole. The Statement of Activities reports information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All the current years' revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and liabilities and changes in them. The difference between the City's assets and liabilities are one way to measure the City's financial position. Other indicators need to be taken into account such as the sales tax base, to assess the overall health of the city.

Since the City has only governmental activities, the Statement of Net Position and the Statement of Activities only report these activities:

- Governmental Activities – All of the City's basic services such as streets and roads and parks, are reported here. Sales tax, franchise fees and investment income finance these activities.

### Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the City's individual funds-not the City as a whole. Some funds are required to be established by State Law. However, City Council can establish other funds to help control and manage money for particular purposes. The City has one kind of fund – governmental.

- Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides.

Government-Wide Financial Statements

	<u>2020</u>	<u>2019</u>
Current & Other Assets	\$754,912	\$797,474
Capital Assets	459,791	413,683
Total Assets	<u>1,214,703</u>	<u>1,211,157</u>
Current liabilities	17,270	11,663
Total Liabilities	<u>17,270</u>	<u>11,663</u>
Net investment in Capital Assets	459,791	413,683
Unrestricted Net Position	737,642	785,811
Total Net Position	<u>\$ 1,197,433</u>	<u>\$1,199,494</u>
Revenue:		
Program Revenues:		
Charges for services	\$ 9,766	\$ 9,264
General revenues:		
Sales and use taxes	87,915	114,208
Franchise tax	27,369	45,748
Investment income	2,672	5,718
COVID relief fund income	33,055	-
Total revenues	<u>160,777</u>	<u>174,938</u>
Expenses:		
General government	71,384	98,463
Highways and streets	43,063	57,674
Culture and recreation	1,382	1,400
Public safety	47,009	2,386
Total expenses	<u>162,838</u>	<u>159,923</u>
Change in net position	(2,061)	15,015
Net position, beginning	1,199,494	1,184,479
Net position, ending	<u>\$ 1,197,433</u>	<u>\$ 1,199,494</u>

The significant variances between 2020 and 2019 are as follows:

- Current assets decreased by \$42,562 primarily due to cash paid for the townsite drainage project and road construction project.
- Capital assets increased by \$46,108 due to the road construction project and completion of the townsite drainage project.

- Current liabilities increased by \$5,607 primarily due to increased road repairs and payments owed to the Waller County law enforcement offset by \$33,055 of COVID relief funding.
- Revenue decreased by \$14,161 primarily driven by nine months of collections of sales tax revenues compared to a full year of operations in 2019.
- Expenses increased by \$2,915 due to continued road repairs, ongoing engineering costs for an official city map, and engineering costs related to platting of a subdivision offset by lower expenses due to the nine month presentation.

### Major Funds

The City uses fund accounting to provide proper financial management of the city's resources and to demonstrate compliance with finance related legal requirements.

**Major Governmental Funds.** The **General fund** is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$737,642.

### General Fund Budget

Significant variations between budget and actual for 2020 are summarized as follows:

- Total general fund revenues were \$28,066 more than budgeted.
  - Franchise tax was \$6,631 less than budgeted due to fewer revenues received from CenterPoint Energy.
  - COVID relief fund income was \$26,444 more than budgeted due to the receivable and corresponding revenue not budgeted.
- Total general government expenditures were \$36,141 less than budgeted.
  - Salaries and benefits were under budget by \$6,113 as the City had budgeted to have two part-time employees during 2020.
  - Professional fees were \$17,120 less than budget as the town site drainage improvement project was completed during the first half of the year.
  - Other expenses were under budget by \$4,811 as the amount for local emergency management was unused, and the amount spent on community events was approximately half of what was budgeted.
  - Highways and streets expenses were \$8,400 less than budgeted as less maintenance on road were performed than were anticipated.
  - Public safety expenses were conservatively budgeted to cover the cost of law enforcement related to the Waller County Interlocal Agreement in response to COVID. As such, the ending balance is under budget by \$9,991.
  - Capital outlays were over budget by \$30,831 as the townsite drainage project completed prior to the end of the year while the road construction project through an interlocal agreement with Waller County was not completed during 2020.



Capital Assets, net

	Governmental Activities	
	2020	2019
Land	\$ 26,985	\$ 26,985
Construction in progress	46,737	40,906
Infrastructure	386,069	345,792
Total	<u>\$ 459,791</u>	<u>\$ 413,683</u>

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have a question about this report or need additional information, contact City of Pattison, P.O. Box 223, Pattison, Texas 77466.

CITY OF PATTISON, TEXAS  
Statement of Net Position  
September 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 707,940
Sales tax receivable	20,528
Grant receivable	26,444
Capital assets not being depreciated	73,722
Capital assets net of accumulated depreciation	386,069
Total assets	1,214,703
LIABILITIES	
Accounts payable	\$ 17,270
Total liabilities	17,270
NET POSITION	
Net investment in capital assets	459,791
Unrestricted	737,642
Total net position	\$ 1,197,433

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

CITY OF PATTISON, TEXAS  
Statement of Activities  
For the Nine Months Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General government	\$ 71,384	\$ 9,766	\$ -	\$ -	\$ (61,618)
Highways and streets	43,063	-	-	-	(43,063)
Culture and recreation	1,382	-	-	-	(1,382)
Public safety	47,009	-	-	-	(47,009)
Total governmental activities	<u>\$ 162,838</u>	<u>\$ 9,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (153,072)</u>
General revenues					
Taxes					
Sales tax					87,915
Franchise tax					27,369
Investment income (loss)					2,672
COVID relief fund income					33,055
Total general revenue					<u>151,011</u>
Change in net position					(2,061)
Net position, beginning					<u>1,199,494</u>
Net position, ending					<u>\$ 1,197,433</u>

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

CITY OF PATTISON, TEXAS  
 Governmental Funds  
 Balance Sheet  
 September 30, 2020

		General Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$	707,940
Sales tax receivable		20,528
Grant receivable		26,444
		<hr/>
Total assets	\$	754,912
		<hr/> <hr/>
<b>LIABILITIES</b>		
Accounts payable	\$	17,270
		<hr/>
Total liabilities		17,270
		<hr/> <hr/>
Fund balance		
Unassigned		737,642
		<hr/>
Total fund balances		737,642
		<hr/> <hr/>
Total liabilities and fund balances	\$	754,912
		<hr/> <hr/>
Reconciliation of the balance sheet to the statement of net position:		
Fund balances of governmental funds	\$	737,642
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	554,971	
Less accumulated depreciation	<u>(95,180)</u>	<u>459,791</u>
Net Position of Governmental Activities	\$	<u>1,197,433</u>

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

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

	<u>General Fund</u>
Revenues	
Taxes	
Sales tax	\$ 87,915
Franchise tax	27,369
Permits	9,766
Investment income	2,672
COVID relief fund income	33,055
Total revenues	<u>160,777</u>
Expenditures	
Current:	
General government	
Salaries and benefits	13,887
City maintenance	7,395
Professional fees	28,380
Utilities and telephone	4,592
Office expenses	6,111
Education	715
Dues and subscriptions	1,816
Other expenses	8,488
Total general government	<u>71,384</u>
Highways and streets	11,600
Culture and recreation	1,382
Public safety	47,009
Total current expenditures	<u>131,375</u>
Capital outlay:	
Infrastructure	77,571
Total capital outlay	<u>77,571</u>
Total expenditures	<u>208,946</u>
Net change in fund balances	(48,169)
Fund Balance, Beginning	<u>785,811</u>
Fund Balance, Ending	<u>\$ 737,642</u>

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

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

Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of changes in net position:

Net change in fund balances - total governmental funds	\$	(48,169)
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of these assets are depreciated over their estimated useful lives:

Expenditures for capital assets	\$	77,571	
Depreciation of capital assets		<u>(31,463)</u>	<u>46,108</u>
Change in net position, governmental activities	\$		<u><u>(2,061)</u></u>

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

CITY OF PATTISON, TEXAS  
General Fund  
Statements of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Nine Months Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Sales tax	\$ 83,000	\$ 83,000	\$ 87,915	\$ 4,915
Franchise tax	34,000	34,000	27,369	(6,631)
Permit	6,000	7,500	9,766	2,266
Investment income	1,600	1,600	2,672	1,072
COVID relief fund income	-	6,611	33,055	26,444
Total revenues	<u>124,600</u>	<u>132,711</u>	<u>160,777</u>	<u>28,066</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government</b>				
Salaries and benefits	15,000	20,000	13,887	(6,113)
City maintenance	7,800	9,800	7,395	(2,405)
Professional fees	58,500	45,500	28,380	(17,120)
Utilities and phone	6,000	6,000	4,592	(1,408)
Office expenses	15,125	8,125	6,111	(2,014)
Education	3,000	1,600	715	(885)
Insurance	1,000	1,000	-	(1,000)
Dues and subscriptions	1,700	2,200	1,816	(384)
Other expenses	28,750	13,300	8,488	(4,812)
Total general government	<u>136,875</u>	<u>107,525</u>	<u>71,384</u>	<u>(36,141)</u>
Highways and streets	20,000	20,000	11,600	(8,400)
Culture and recreation	1,500	1,500	1,382	(118)
Public safety	2,750	57,000	47,009	(9,991)
<b>Capital outlay:</b>				
Infrastructure	50,000	46,740	77,571	30,831
Total expenditures	<u>211,125</u>	<u>232,765</u>	<u>208,946</u>	<u>(23,819)</u>
Net change in fund balance	(86,525)	(100,054)	(48,169)	51,885
Fund Balance, Beginning	785,811	785,811	785,811	-
Fund Balance, Ending	<u>\$ 699,286</u>	<u>\$ 685,757</u>	<u>\$ 737,642</u>	<u>\$ 51,885</u>

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

CITY OF PATTISON, TEXAS  
Notes to Basic Financial Statements  
September 30, 2020

1. Summary of significant accounting policies

The accompanying financial statements include all funds of the City of Pattison, Texas. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The City was incorporated under the laws of the State of Texas in 1972. The City is a general law city governed by an elected five-member council and mayor. As required by generally accepted accounting principles, these financial statements present the City of Pattison (the primary government).

B. Basis of Presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given program.

Fund financial statements

Fund financial statements of the reporting entity are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.



CITY OF PATTISON, TEXAS  
Notes to Basic Financial Statements  
September 30, 2020

1. Summary of significant accounting policies – cont.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The effect of interfund activity has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

CITY OF PATTISON, TEXAS  
Notes to Basic Financial Statements  
September 30, 2020

1. Summary of significant accounting policies – cont.

D. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus.

Government-wide statements

In the government-wide financial statements, capital assets are accounted for as assets and valued at historical cost, except for donated capital assets which are recorded at their estimated fair value at the time of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives for the City's infrastructure assets is 10 to 15 years.

When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and the appropriate gain or loss is recognized.

Fund financial statements

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of cash on hand, amounts in demand deposits and amounts held in an active assets government trust account. The State of Texas restricts municipalities to invest in time deposits, U.S. Government Securities, and investment pools managed by the State.

CITY OF PATTISON, TEXAS  
Notes to Basic Financial Statements  
September 30, 2020

1. Summary of significant accounting policies – cont.

F. Fund Equity

*Government-wide statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and/or unassigned.

*Classification of fund balances*

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term receivable net of deferred interest revenue, and nonfinancial assets held for resale.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

CITY OF PATTISON, TEXAS  
Notes to Basic Financial Statements  
September 30, 2020

1. Summary of significant accounting policies – cont.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

*Spending Prioritization in Using Available Resources*

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

CITY OF PATTISON, TEXAS  
Notes to Basic Financial Statements  
September 30, 2020

2. Legal Compliance - Budgets

Annually, a budget is adopted for the general fund. The legal level of budgetary control is specific line item groupings. Therefore, a budget amendment is required to increase the appropriations for any line item grouping. All appropriations lapse at fiscal year-end.

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

Expenditures exceeded the budget at the legal level for the general fund by \$30,831 for the nine months ended September 30, 2020.

3. Capital Assets

Capital asset activity for the nine-months ended September 30, 2020 is as follows:

	Balance at December 31, 2019	Additions	Deletions	Balance at September 30, 2020
Non-depreciable:				
Land	\$ 26,985	\$ -	\$ -	\$ 26,985
Construction in progress	40,906	77,571	71,740	46,737
Total non-depreciable	<u>67,891</u>	<u>77,571</u>	<u>71,740</u>	<u>73,722</u>
Depreciable:				
Infrastructure	409,509	71,740	-	481,249
Total depreciable	<u>409,509</u>	<u>71,740</u>	<u>-</u>	<u>481,249</u>
Total Capital Assets	477,400	149,311	71,740	554,971
Less accumulated depreciation				
Infrastructure	63,716	31,464	-	95,180
Total	<u>63,716</u>	<u>31,464</u>	<u>-</u>	<u>95,180</u>
Capital assets, net	<u>\$ 413,684</u>	<u>\$ 117,847</u>	<u>\$ 71,740</u>	<u>\$ 459,791</u>

Depreciation expense was charged to governmental functions as follows:

Culture and recreation	\$ 400
Highways and streets	31,063
Total Governmental Activities	<u>\$ 31,463</u>

CITY OF PATTISON, TEXAS  
Notes to Basic Financial Statements  
September 30, 2020

4. Assessments

During 1973, the City entered into an agreement with CenterPoint Energy Houston Electric, LLC whereby the City grants CenterPoint Energy Houston Electric, LLC the right to conduct business within City limits. In exchange, the City receives franchise fees of \$500 plus 4% of gross receipts for each calendar year through the year 2023.

5. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool for worker's compensation insurance as well as commercial insurance. The City pays a quarterly premium to the Pool. The Pool is intended to be self-sustaining through member premiums. Claims have not exceeded insurance coverage in any of the past three years.

6. Deposits with Financial Institutions

The City adopted investment policies related to interest rate risk, credit risk, or concentration of credit risk. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposits with financial institutions total \$707,940 as of September 30, 2020. The City's bank balances of \$709,715, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$459,715 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

7. Interlocal Agreement with Waller County

On November 15, 2017, the City entered into an interlocal agreement with Waller County for drainage work and asphalt overlay on approximately 4,170 foot of Durkin Road. The cost associated with the agreement was approximately \$46,737 and was paid to Waller County in January 2020. The project is slated to be completed in Summer 2021.

In April 2020, the City entered into an interlocal agreement with Waller County for law enforcement assistance in response to COVID-19. The amount paid to Waller County associated with the agreement totaled approximately \$45,000 for the nine months ended September 30, 2020.

CITY OF PATTISON, TEXAS  
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8. Related Party Transactions

During the nine months ended September 30, 2020, the City purchased road signs from a company owned by a member of City Council for approximately \$6,100.

9. Change in Fiscal Year

Effective January 1, 2021, the City changed its year end from December 31 to September 30. A nine-month fiscal transition period from January 1, 2020 through September 30, 2020, is presented in the accompanying financial statements.

10. Coronavirus

The Coronavirus (COVID-19) pandemic has impacted the nation as a whole, leading to consumer uncertainties and financial setbacks for many businesses and individuals. During the nine months ending September 30, 2020, the City was eligible for \$33,055 in relief funding. The City received \$6,611 and has reflected a receivable of \$26,444 for the remainder. Relief funds were used to provide law enforcement as further discussed in Note 7.

Management continues to monitor and evaluate the continually evolving environment associated with the virus and the impact on the City's financial condition, results of operations and cash flows.