

**CITY OF KRUGERVILLE**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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Independent Auditor's Report

To the City Council  
City of Krugerville, Texas

I have audited the accompanying financial statements of the governmental activities and major funds of the City of Krugerville, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of 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 controls 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my 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 Krugerville, Texas, as of September 30, 2020, and the respective changes in financial position 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, the budgetary comparison schedule, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions and the schedule of changes in total OPEB liability be presented to supplement the basic financial statements. Such information, although not 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. I 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated January 28, 2021, on my consideration of the City of Krugerville, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Krugerville, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Krugerville, Texas's internal control over financial reporting and compliance.

*William C. Spore, P.C.*

Keller, Texas

Certified Public Accountants

January 28, 2021

**CITY OF KRUGERVILLE**

**CITY OFFICIALS**

**September 30, 2020**

**MAYOR**

**Jeff Parrent**

**MAYOR PRO TEM**

**Kristen Kromer**

**COUNCIL MEMBERS**

**Thurman Bridges**

**John Nipe**

**Grant Wills**

**George Wilthers**

**CITY SECRETARY**

**Sandy Frantz**

## **CITY OF KRUGERVILLE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Krugerville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. The information provided here should be used in conjunction with the basic financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at September 30, 2020 by \$2,640,749, an increase of \$220,009.
- The City's governmental fund balance increased \$80,264 during the 2020 fiscal year to a total of \$2,253,262.

#### **USING THIS ANNUAL REPORT**

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

#### **Reporting the City as a Whole - Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities

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

The Statement of Net Position (page 10) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 11) presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The City currently provides only Governmental type activities. Governmental activities include basic services such as code enforcement, inspection, police, municipal court, parks, public works, and general administration. Property taxes, sales taxes, franchise fees fines and permit revenues finance most of these activities. The City does not provide any Business-type activities such as water or sewer systems.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

All of the City's activities are accounted for in governmental funds. Governmental funds focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The City's governmental funds include the general fund, a capital improvement fund and two blended component units; the Krugerville Economic Development Corporation and the Krugerville Community Development Corporation.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position as of September 30, 2020 and 2019 are as follows:

	NET POSITION	
	2020	2019
Current and Other Assets	\$ 2,375,703	\$ 2,249,865
Capital Assets	1,907,652	1,853,909
<b>Total Assets</b>	<b>4,283,355</b>	<b>4,103,774</b>
Deferred Outflows of Resources	12,287	14,638
Long-Term Liabilities	1,510,437	1,608,367
Other Liabilities	128,883	85,067
<b>Total Liabilities</b>	<b>1,639,320</b>	<b>1,693,434</b>
Deferred Inflows of Resources	15,573	6,238
Net Position:		
Invested in Capital Assets, net		
of debt	1,251,412	1,226,164
Restricted for Economic Development	460,285	439,960
Restricted for Community Development	140,389	125,030
Other Purposes	127,177	12,453
Unrestricted	661,486	615,133
<b>Total Net Position</b>	<b>\$ 2,640,749</b>	<b>\$ 2,418,740</b>

The City has two significant assets, its cash accounts and its investment in capital assets, (buildings, equipment, vehicles parks and roads.) The City has restricted cash accounts for Capital Improvements (\$849,494), Economic Development (\$440,872), Community Development (\$121,326), customer deposits (\$33,455), debt service (\$17,601), Burnco (\$22,724) Cares Relief (\$85,914) and development (\$938). The remaining cash balances of \$678,833 at September 30, 2020 are unrestricted, and the City uses these funds for operations and reserves. The City uses its capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

During 2018 the City issued certificates of obligation in the amount of \$1,000,000 for the purpose of road improvements, drainage improvements, fire hydrants and water lines. The City expended \$122,801 and \$7,099 of the proceeds during 2020 and 2019 respectively and the remaining funds will be expended in fiscal year 2021.



## Analysis of City's Operations

The following table provides a summary of the City's Changes in Net Position for the years ended September 30, 2020 & 2019.

	CHANGES IN NET POSITION	
	2020	2019
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 331,296	\$ 175,277
Capital Grants & Reimbursements	15,721	0
Operating Grants & Donations	131,002	50,887
General Revenues:		
Property Taxes	713,086	661,614
Sales & Beverage Taxes	421,993	495,736
Franchise Fees	64,205	68,345
Interest Income	23,365	45,925
Total Revenues	<u>\$ 1,700,668</u>	<u>\$ 1,497,784</u>
<b>PROGRAM EXPENSES</b>		
General Government	\$ 531,253	\$ 429,399
Culture & Recreation	73,883	66,393
Public Safety	591,800	437,620
Public Works	225,484	176,750
Interest on Long-Term Debts	56,239	60,872
Total Expenses	<u>1,478,659</u>	<u>1,171,034</u>
Increase (Decrease) in Net Position	<u>\$ 222,009</u>	<u>\$ 326,750</u>

Charges for services revenues increased from the prior year due an increase in permit/development fee revenues due to commercial and residential growth in the City. Property tax revenues increased 7.78% from the prior year due to an increase in the assessed values of properties within in the City. Sales tax revenues decreased in fiscal year 2020 due to refunds issued to a vendor that had overpaid the local sales taxes in prior years. During fiscal year 2020 the City received \$101,200 in Coronavirus relief funds from Denton County.

In 2019 and 2020, as required by GASB No. 68, *Accounting and Financial Reporting for Pensions*, operating grant revenues include \$45,523 and \$45,112, respectfully, of pension contributions from the Northeast Police Department. The Northeast Police Department participate as nonemployer contributing entities in the City of Krugerville's pension plan. See note 6.

General government expenditures increased \$101,854 during fiscal year 2020 primarily due to increases in personnel costs (\$64,354) and inspection services (\$64,818).

Public safety expenditures increased \$154,180 during 2020 as the City increased its expenditures for police services (\$123,194) and fire services (\$30,000) from the prior year.

Public works expenditures increased due to an increase in street and drainage maintenance expenditures in 2020 compared to 2019.

### GOVERNMENTAL FUND ANALYSIS

The focus of the City’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements, in particular, unreserved fund balance may serve a measure of a government’s net resources available for spending at the end of the fiscal year.

A comparative schedule of the Governmental Fund revenues and expenditures is as follows:

REVENUES			
Property Taxes	\$	708,683	\$ 661,614
Sales & Beverage Taxes		421,993	495,736
Franchise Fees		64,205	68,345
Intergovernmental Grants		101,200	0
Permits & Fees		276,699	125,098
Solid Waste Fees (Net)		32,367	28,364
Donations		0	5,775
Miscellaneous Revenues		22,230	21,815
Interest Income		23,365	45,925
<b>TOTAL REVENUES</b>	<b>\$</b>	<b><u>1,650,742</u></b>	<b><u>\$ 1,452,672</u></b>
EXPENDITURES			
General Government	\$	467,167	\$ 372,911
Culture & Recreation		39,585	38,845
Public Safety		591,800	437,620
Public Works		164,281	114,140
Debt Service		143,490	163,238
Capital Outlay		164,155	281,065
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b><u>1,570,478</u></b>	<b><u>\$ 1,407,819</u></b>
 <b>CHANGE IN FUND BALANCE</b>	 <b>\$</b>	 <b><u>80,264</u></b>	 <b><u>\$ 44,853</u></b>

General government revenues in fiscal year 2020 included \$101,200 of Coronavirus relief funds of which there were no similar revenues in 2019.

Capital outlay expenditures in 2020 included City Hall improvements of \$75,057 and park improvements of \$71,077.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2020 budget general fund was amended by the City Council during the fiscal year. The amendments increased budgeted revenues by \$101,285 and increased budgeted expenditures by \$83,653. The amended budget resulted in a budgeted deficit of \$6,368. This deficit was to be funded from prior year fund balances.

Actual tax revenues were \$25,197 greater than budgeted tax revenues and actual permit revenues were \$103,689 greater than budgeted permit revenues. Total actual expenditures were \$62,084 under budget and the actual excess of revenues over expenditures of \$159,438 was \$165,806 greater than the budgeted deficit of \$6,638.

Actual administration expenditures were \$38,129 less than budgeted expenditures. Cares relief fund operating expenditures were budgeted at \$86,200 but actual expenditures in 2020 were only \$18. Inspection services were \$41,436 over budget which, when combined with the cares relief fund operating expenses, accounted for much of the administration department budget variance. Public works actual street and equipment maintenance expenditures were \$20,590 under budget due to projects included in the budgeted which were not completed in 2020.

### CAPITAL ASSETS

The City’s investment in capital assets as of September 30, 2020 amounts to \$1,853,909 (net of depreciation). The investment in capital assets includes buildings, office equipment and infrastructure. A schedule of capital assets is as follows:

	▼	2020	▼	2019
Land	\$	690,682	\$	690,682
Buildings & Improvements		302,160		240,447
Equipment		29,850		19,566
Vehicles		0		3,237
Parks		504,254		467,476
Infrastructure-Streets		380,706		432,501
TOTAL	\$	1,907,652	\$	1,853,909

The major capital additions during the current fiscal year included \$75,057 for City Hall building improvements , \$18,021 for technology improvements and \$71,077 for park improvements.

## **DEBT ADMINISTRATION**

The City did not issue any new long-term debts during 2020. Outstanding long-term debts are as follows:

	2020	2019
Certificates of Obligation	920,142	983,999
Tax Notes	<u>583,822</u>	<u>606,819</u>
TOTAL	\$ <u>1,503,964</u>	\$ <u>1,590,818</u>

Additional information on the City's long-term debts can be found in Note 5.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal year 2021 budget includes budgeted revenues of \$2,693,478 (including \$845,225 of unspent debt proceeds carried over from 2020) and budgeted expenditures of \$2,883,478. Budgeted revenues include property taxes of \$760,620, which was based on a tax rate of 39.7613 cents per \$100 of assessed value, an increase of .7591 cents from the rate used in 2020.

Budgeted 2021 expenditures include \$241,664, for salaries and benefits, \$8,000 for legal fees, \$11,987 for engineering fees, \$421,135 for police services, \$152,500 for ambulance and fire service, \$913,225 for infrastructure and drainage improvements, \$405,000 for a public safety building and \$94,824 for debt service.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City of Krugerville. If you have questions about this report or need any additional information, contact the City Secretary at 5097 Highway 377, Krugerville, TX 76227 or at (940) 365-5833.

**CITY OF KRUGERVILLE, TEXAS  
GOVERNMENT-WIDE  
STATEMENT OF NET POSITION**

**September 30, 2020**

**ASSETS**

Cash	\$ 678,833
Receivables (Net of Bad Debts)	117,586
Prepaid Expenses	6,960
Restricted Cash	1,572,324

**CAPITAL ASSETS**

Land	690,682
Buildings & Improvements	397,151
Equipment & Vehicles	135,955
Parks	731,978
Infrastructure - Streets	1,020,609
Accumulated Depreciation	(1,068,723)

**NET CAPITAL ASSETS**

1,907,652

**TOTAL ASSETS**

\$ 4,283,355

**DEFERRED OUTFLOWS OF RESOURCES**

Pension Related	\$ 11,967
OPEB Related	320

**TOTAL DEFERRED OUTFLOWS**

\$ 12,287

**LIABILITIES**

Accounts Payable	\$ 66,232
Accrued Liabilities	29,196
Customer Deposits	33,455
Noncurrent Liabilities:	
Due within one year	90,213
Due in more than one year	1,413,751
Proportionate Share of Net Pension Liability	2,410
Proportionate Share of OPEB Liability	4,063

**TOTAL LIABILITIES**

1,639,320

**DEFERRED INFLOWS OF RESOURCES**

Pension Related	15,573
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**TOTAL DEFERRED INFLOWS**

15,573

**NET POSITION**

Invested in Capital Asset, Net of Related Debt	1,251,412
Restricted for Economic Development	460,285
Restricted for Community Development	140,389
Other Purposes	127,177
Unrestricted	661,486

**TOTAL NET POSITION**

\$ 2,640,749

**CITY OF KRUGERVILLE, TEXAS  
GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2020

<b>FUNCTIONS/PROGRAMS</b>	<u><b>EXPENSES</b></u>	<u><b>CHARGES FOR SERVICES</b></u>	<u><b>OPERATING GRANTS &amp; DONATIONS</b></u>	<u><b>CAPITAL GRANTS &amp; REIMBURSE- MENTS</b></u>	<u><b>NET (EXPENSE) REVENUE</b></u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government	\$ (531,253)	\$ 331,296	\$ 45,523	\$ 0	\$ (154,434)
Culture & Recreation	(73,883)	0	0	0	(73,883)
Public Safety	(591,800)	0	85,479	15,721	(490,600)
Public Works	(225,484)	0	0	0	(225,484)
Interest on Long-Term Debt	(56,239)	0	0	0	(56,239)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	\$ <span style="border: 1px solid black; padding: 2px;">(1,478,659)</span>	\$ <span style="border: 1px solid black; padding: 2px;">331,296</span>	\$ <span style="border: 1px solid black; padding: 2px;">131,002</span>	\$ <span style="border: 1px solid black; padding: 2px;">15,721</span>	<span style="border: 1px solid black; padding: 2px;">(1,000,640)</span>
 <b>GENERAL REVENUE</b>					
Property Taxes					713,086
Sales & Beverage Taxes					421,993
Franchise Fees					64,205
Interest Income					23,365
<b>TOTAL GENERAL REVENUE</b>					<span style="border: 1px solid black; padding: 2px;">1,222,649</span>
<b>CHANGE IN NET ASSETS</b>					222,009
<b>NET POSITION - BEGINNING</b>					<u>2,418,740</u>
<b>NET POSITION - ENDING</b>					<u><u>\$ 2,640,749</u></u>

**CITY OF KRUGERVILLE, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

*September 30, 2020*

<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>CIP FUND</b>	<b>ECONOMIC DEVELOP.</b>	<b>COMMUNITY DEVELOP.</b>	<b>TOTAL</b>
Cash	\$ 839,465	\$ 849,494	\$ 440,872	\$ 121,326	\$ 2,251,157
Receivables:					
Sales & Beverage Taxes	39,861	0	19,413	19,413	78,687
Franchise Taxes	17,846	0	0	0	17,846
Property Taxes	13,833	0	0	0	13,833
Solid Waste Collection (net of Allowance for Bad Debts)	420	0	0	0	420
Other Receivables	3,800	3,000	0	0	6,800
Due To/Due From Other Funds	0	0	0	0	0
Prepaid Expenses	6,960	0	0	0	6,960
<b>TOTAL ASSETS</b>	<b>\$ 922,185</b>	<b>\$ 852,494</b>	<b>\$ 460,285</b>	<b>\$ 140,739</b>	<b>\$ 2,375,703</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 61,112	\$ 4,770	\$ 0	\$ 350	\$ 66,232
Accrued Liabilities	7,487	0	0	0	7,487
Customer Credit Balances	1,464	0	0	0	1,464
Customer Deposits	33,455	0	0	0	33,455
<b>TOTAL LIABILITIES</b>	<b>103,518</b>	<b>4,770</b>	<b>0</b>	<b>350</b>	<b>108,638</b>
<b>DEFERRED INFLOWS</b>					
Unavailable Revenue-Property Taxes	13,803	0	0	0	13,803
<b>FUND BALANCE</b>					
Non-Spendable Prepaid Expenses	6,960	0	0	0	6,960
Restricted:					
Debt Service	17,601	0	0	0	17,601
CIP Funds	0	847,724	0	0	847,724
Cares Relief	85,914	0	0	0	85,914
Economic Development	0	0	460,285	0	460,285
Community Development	0	0	0	140,389	140,389
Committed Funds:					
Development	938	0	0	0	938
Burnco	22,724	0	0	0	22,724
Unassigned	670,727	0	0	0	670,727
<b>TOTAL FUND BALANCE</b>	<b>804,864</b>	<b>847,724</b>	<b>460,285</b>	<b>140,389</b>	<b>2,253,262</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; FUND EQUITY</b>	<b>\$ 922,185</b>	<b>\$ 852,494</b>	<b>\$ 460,285</b>	<b>\$ 140,739</b>	<b>\$ 2,375,703</b>

**CITY OF KRUGERVILLE, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION**

*September 30, 2020*

Fund Balance Above	\$ 2,253,262
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund Balance Sheet.	1,907,652
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	13,803
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	(1,524,209)
Proportionate share of total OPEB liability, net pension liability and related deferred inflows and outflows of resources	(9,759)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>2,640,749</u></b>



**CITY OF KRUGERVILLE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2020

	<b>GENERAL FUND</b>	<b>CIP FUND</b>	<b>ECONOMIC DEVELOP.</b>	<b>COMMUNITY DEVELOP.</b>	<b>TOTAL</b>
<b>REVENUES</b>					
Property Taxes	\$ 708,683	\$ 0	\$ 0	\$ 0	\$ 708,683
Sales & Beverage Taxes	212,659	0	104,667	104,667	421,993
Franchise Fees	64,205	0	0	0	64,205
Permits & Fees	276,699	0	0	0	276,699
Intergovernmental Revenues	101,200	0	0	0	101,200
Solid Waste Collection Fees (Net)	32,367	0	0	0	32,367
Donation Revenues	0	0	0	0	0
Miscellaneous Revenues	21,180	0	0	1,050	22,230
Interest Income	9,224	7,943	4,893	1,305	23,365
<b>TOTAL REVENUES</b>	<b>1,426,217</b>	<b>7,943</b>	<b>109,560</b>	<b>107,022</b>	<b>1,650,742</b>
<b>EXPENDITURES</b>					
General Government	462,513	0	3,423	1,231	467,167
Culture & Recreation	0	0	0	39,585	39,585
Public Safety	591,800	0	0	0	591,800
Public Works	41,480	122,801	0	0	164,281
Debt Service - Principal	63,857	0	0	22,996	86,853
Debt Service - Interest	30,483	0	0	26,154	56,637
Capital Outlay	93,078	0	59,984	11,093	164,155
<b>TOTAL EXPENDITURES</b>	<b>1,283,211</b>	<b>122,801</b>	<b>63,407</b>	<b>101,059</b>	<b>1,570,478</b>
<b>EXCESS REVENUES OVER (UNDER) BEFORE OTHER SOURCES</b>	<b>143,006</b>	<b>(114,858)</b>	<b>46,153</b>	<b>5,963</b>	<b>80,264</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from EDC for Administration	1,253	0	(1,253)	0	0
Transfer from CDC for Administration	1,253	0	0	(1,253)	0
Transfer to CDC for Park Maintenance	13,926	0	0	(13,926)	0
Transfer from EDC For Debt Service	0	0	(24,575)	24,575	0
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>16,432</b>	<b>0</b>	<b>(25,828)</b>	<b>9,396</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>159,438</b>	<b>(114,858)</b>	<b>20,325</b>	<b>15,359</b>	<b>80,264</b>
<b>FUND BALANCE - BEGINNING</b>	<b>645,426</b>	<b>962,582</b>	<b>439,960</b>	<b>125,030</b>	<b>2,172,998</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 804,864</b>	<b>\$ 847,724</b>	<b>\$ 460,285</b>	<b>\$ 140,389</b>	<b>\$ 2,253,262</b>

# CITY OF KRUGERVILLE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

*For the Year Ended September 30, 2020*

Net Change in Fund Balance - Governmental Funds	80,264
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives as depreciation expense:	
Capital assets recorded in the current period	164,155
Depreciation expense on capital assets	(110,412)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	86,853
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues - Property Taxes	4,403
Revenues in the statement of activities include retirement plan contributions from nonemployer contributing entities	45,523
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Accrued Interest on long-term debts	398
Accrued Compensated Absences	(3,041)
Governmental funds report pension expense as it is paid into the retirement plan during the fiscal year. However, in the statement of activities, pension expense reflects the change in net pension liability during the plan year including nonemployer contributing entities	(46,134)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>222,009</u></u>

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The City of Krugerville operates under a Council-Mayor form of government, following the laws of a General Law City as defined by the State of Texas. The City provides the following services: code enforcement, inspection, police, municipal court, parks, public works, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The more significant accounting policies of the City are discussed below:

#### A. REPORTING ENTITY

These financial statements present the City (the primary government). The City has the following component units (separately administered organizations that are controlled or dependent on the City).

Blended component units:

The Krugerville Economic Development Corporation (the EDC) is governed by a board of seven directors, all of whom are appointed by the City Council of the City of Krugerville and any of whom can be removed from office by the City's Council at its' will. The EDC was incorporated in the state of Texas as a non-profit industrial development corporation under section 4A of the Development Corporation Act of 1979. The EDC was organized for the promotion and development of new and expanded business enterprises and to provide and encourage employment and economic development within the City of Krugerville.

The Krugerville Community Development Corporation (the CDC) is governed by a board of seven directors, all of whom are appointed by the City Council of the City of Krugerville and any of whom can be removed from office by the City's Council at its' will. The CDC. was incorporated in the state of Texas as a non-profit industrial development corporation under the Development Corporation Act of 1979. The purpose of the CDC is to promote community development within the City of Krugerville.

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

### **B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's inspection, police, municipal court, public services, public works, and general administrative services are classified as governmental activities. The City does not provide any business-type activities.

In the government-wide Statement of Net Position governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety and public works). The functions are also supported by general government revenues (property, sales and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants.

The net costs (by function) are normally covered by general revenue (property, sales, franchise taxes).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

### **C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City only provides Governmental Fund type activities and these activities are accounted for the General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City. The City does not provide any Business-type activities and the City does not have any Fiduciary Funds.

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

### **D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. “Measurable” means the amount of the transaction can be determined and “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized only when payment is due.

### **3. Revenue Recognition:**

The City considers property, sales and franchise taxes as available if collected within 60 days after year end. All other governmental revenues are recognized when received.

### **4. Use of Estimates:**

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

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

**5: New Accounting Principles:**

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. Effective October 1, 2017 the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement made modifications to reporting of employee postemployment benefits other than pensions. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City.

- *Statement no. 92, Omnibus 2020*. This statement is effective for fiscal years beginning after June 15, 2020. This statement will not affect the City.
- *Statement no. 93, Replacement of Interbank Offered Rates*. This statement is effective for fiscal years beginning after December 31, 2021. This statement will not affect the City.
- *Statement no. 94, Public Private and Public Public Private Partnerships and Available Payment Arrangements*. This statement is effective for fiscal years beginning after June 15, 2022. This statement will not affect the City.
- *Statement no. 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement is effective immediately. This statement will not affect the City.
- *Statement no. 96, Subscription-based Information Technology Arrangements*. This statement is effective June 15, 2022. This statement will not affect the City.

The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2021 or later, as required.

**E. FINANCIAL STATEMENT AMOUNTS:**

**1. Cash and cash Equivalents:**

The City has defined cash and cash equivalents to include cash on hand and demand deposits.

**2. Capital Assets:**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Office Equipment	3 - 10 years
Infrastructure	15 - 20 years

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

### **3. Restricted Resources:**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the City first applies restricted resources.

### **4. Compensated Absences:**

The City accrues accumulated unpaid vacation time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations. The outstanding liability for compensated absences at September 30, 2020 was \$9,350.

### **5. Deferred Outflows of Resources:**

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) a deferred outflow of resources for contributions made to the City's retirement plan between the measurement date of the net pension liabilities from the plan and the end of the City's fiscal year (2) deferred outflows of resources related to differences in expected and actual pension investment earnings. The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. Deferred outflows related to differences in expected and actual pension investment earnings will be amortized to expense over a five-year period. No deferred outflows of resources affect the governmental funds financial statements in the current year.

### **6. Deferred Inflows of resources:**

The City reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred Inflows of resources reported in this year's financial statement include (1) deferred inflows of resources related to differences between the plans' expected and actual experience and (2) deferred inflows of resources related to changes in pension plan assumptions. The deferred inflows related to differences between expected and actual experience will be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred inflows related to assumptions changes will be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan .

Deferred inflows of resources reported in this year's governmental funds financial statements include a deferred inflow of resources for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

### 7. Pensions:

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

### 8. Equity Classifications:

#### *Government-wide Statements*

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

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net position - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net assets that do not meet the criteria 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 nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.



**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

**F: BUDGETS AND BUDGETARY ACCOUNTING:**

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

- 1: Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above budgeted fund's lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2020, the public services department had expenditures that exceeded appropriations by \$800; no other departments had expenditures that exceeded appropriations.

**NOTE 2: DEPOSITS:**

At September 30, 2018 the City's cash and cash equivalents were made up of the following:

Petty cash accounts	\$	100
Held at a local bank		500,380
Held at TexStar		847,769
Held at Texas Class		<u>902,908</u>
	\$	<u><u>2,251,157</u></u>

Cash and cash equivalents include the City's investments in TexSTAR and Texas Class, Texas Local Government Investment Pools. These investment pool funds are readily available and are recorded at cost.

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

### Deposit and Investment Risk Disclosures:

(1) Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

At September 30, 2020, the City's local bank balances (per bank) totaled \$500,380 of which \$250,000 was covered by federal depository insurance and the balance was covered by collateral held by the pledging Bank's agent in the name of the City. The City was not exposed to custodial credit risk at September 30, 2020. Securities pledged by the City's depository institution at September 30, 2020 are as follows:

SECURITY	PAR	FMV
FNMA maturing 6/1/2045	\$486,701	\$535,692
FNMA maturing 11/1/2045	<u>454,853</u>	<u>505,662</u>
	<u>\$941,554</u>	<u>\$1,041,354</u>

(2) Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The City does not currently own any investments and, therefore, is not exposed to credit risk.

(3) Concentration of credit risk - This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City does not currently own any investments and, therefore, is not exposed to concentration of credit risk.

(4) Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not currently own any investments and, therefore, is not exposed to interest rate risk.

### **NOTE 3: PROPERTY TAX:**

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1 and are delinquent after the following January 31. Property taxes at the fund level are recorded as receivables and deferred revenues at the time taxes are assessed and revenues are recognized as the taxes are collected.

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

**NOTE 4: CAPITAL ASSETS:**

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

	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 690,682	\$ 0	\$ 0	\$ 690,682
Capital Assets being Depreciated:				
Building & Improvements	\$ 322,094	\$ 75,057	\$ 0	\$ 397,151
Equipment	96,350	18,021	0	114,371
Vehicles	21,584	0	0	21,584
Parks	660,901	71,077	0	731,978
Infrastructure-Streets	1,020,609	0	0	1,020,609
Total Capital Assets Being Depreciated	\$ 2,121,538	\$ 164,155	\$ 0	\$ 2,285,693
<b>LESS ACCUMULATED DEPRECIATION</b>				
Building & Improvements	\$ 81,647	\$ 13,344	\$ 0	\$ 94,991
Equipment	76,784	7,737	0	84,521
Vehicles	18,347	3,237	0	21,584
Parks	193,425	34,299	0	227,724
Infrastructure-Streets	588,108	51,795	0	639,903
TOTAL ACCUMULATED DEPRECIATION	\$ 958,311	\$ 110,412	\$ 0	\$ 1,068,723
TOTAL CAPITAL ASSETS, NET	\$ 1,853,909	\$ 53,743	\$ 0	\$ 1,907,652

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 14,911
Culture & Recreation	34,298
Public Works	61,203
<b>TOTAL DEPRECIATION EXPENSE</b>	<b>\$ 110,412</b>

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

**NOTE 5: LONG-TERM DEBT:**

In March 2008, the City issued Certificates of Obligation in the amount of \$110,00 for the purpose of constructing a new city hall/community center. The certificates have annual maturity dates ranging from April 2009 to April 2023, bear interest at 5.20% and are payable from the net revenues of the City’s solid waste disposal system and a pledge of the ad valorem taxes levied by the City. The City has the right, at its option, to redeem the certificates at any time prior to maturity.

In April 2018, the City issued Certificates of Obligation in the amount of \$1,000,000 for the purpose of road improvements, drainage improvements, fire hydrants, water lines and other related items. The certificates have annual maturity dates ranging from April 2019 to April 2033, bear interest at 3.14% and are payable the pledge of the ad valorem taxes levied by the City. The City has the right, at its option, to redeem the certificates at any time after April 2026.

In April 2017, the Krugerville Community Development Corporation (CDC) issued 2017 Sales and Use Tax Notes in the amount of \$650,000 for the purpose of financing land acquisition for parks and business development in the City. The notes require twenty annual installments of \$49,150, including interest at 4.31% beginning in April 2018. The note is secured by and will be funded from sales tax revenues collected by CDC. The Krugerville Economic Development Corporation (EDC) has agreed to a reimbursement agreement with CDC whereby EDC will reimburse CDC for one half of the annual debt payment until the note is repaid in full.

General long-term debt activity for the fiscal year is as follows:

GOVERNMENTAL ACTIVITIES:	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
Series 2008, Certificates of Obligation	\$ 37,912	\$ 0	\$ (8,770)	\$ 29,142	\$ 9,226
Series 2018, Certificates of Obligation	946,087	0	(55,087)	891,000	57,000
2017 Tax Notes (CDC)	606,818	0	(22,996)	583,822	23,987
<b>TOTAL LONG-TERM DEBT</b>	<u>\$ 1,590,817</u>	<u>\$ 0</u>	<u>\$ (86,853)</u>	<u>\$ 1,503,964</u>	<u>\$ 90,213</u>

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

Future debt maturities are as follows:

Certificates of Obligation			
YEAR ENDING			
SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2021	\$ 66,226	\$ 29,494	\$ 95,720
2022	67,706	27,224	10,741
2023	70,210	24,896	10,742
2024	62,000	22,482	10,742
2025	64,000	20,536	84,536
2026-2030	351,000	71,278	422,278
2031-2033	<u>239,000</u>	<u>15,166</u>	<u>254,166</u>
<b>TOTALS</b>	<b>\$ <u>920,142</u></b>	<b>\$ <u>211,076</u></b>	<b>\$ <u>888,925</u></b>

2017 Tax Notes (CDC)			
YEAR ENDING			
SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2021	\$ 23,987	\$ 25,163	\$ 49,150
2022	25,021	24,128	49,149
2023	26,100	23,050	49,150
2024	27,225	21,926	49,151
2024	28,398	20,752	49,150
2026-2030	161,440	84,312	245,752
2031-2035	199,361	46,391	245,752
2036-2037	<u>92,290</u>	<u>6,009</u>	<u>98,299</u>
<b>TOTALS</b>	<b>\$ <u>583,822</u></b>	<b>\$ <u>251,731</u></b>	<b>\$ <u>835,553</u></b>

**NOTE 6: RETIREMENT PLAN:**

A. Plan Description

The City of Krugerville participates as one of 888 plans in the non-traditional, joint contributory, hybrid defined benefit 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) can be obtained at [www.TMRS.com](http://www.TMRS.com).

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

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

### B. Benefits provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members 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 City has adopted the following plan provisions:

	2019	2020
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>8</u>
	16

### C. Contributions

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

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.29% and 8.74% for the calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$57,813 and were equal to the required contributions.

# CITY OF KRUGERVILLE

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

### D. Net Pension Liability or Assets

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 actuarial valuation as of that date.

#### *Actuarial Assumptions:*

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the general Employee table used for females. Mortality tables 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% 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.

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for 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).

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

***Discount Rate:***

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

***Proportionate Share Percentages:***

The Northeast Police Department participates as nonemployer contributing entity in the City of Krugerville's pension plan. Proportionate share percentages are based on each entity's actual payroll during the plan year compared to total payroll of both entities during the plan year. Actual contributions to the retirement plan by the Northeast Police Department totaled \$45,523 during the fiscal year. This amount is reported as operating grant revenues in the government-wide statement of activities.



**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

***Changes in Net Pension Liability:***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2018	\$ 603,497	\$ 543,213	\$ 60,284
Service Cost	98,555		98,555
Interest	43,805		43,805
Differences between expected and actual results	(11,800)		(11,800)
Changes in Assumptions	2,107		2,107
Contributions - employer		57,750	(57,750)
Contributions - employee		46,899	(46,899)
Net investment income		84,498	(84,498)
Benefit Payments, including refunds of employee contributions	(7,618)	(7,618)	0
Administrative expense		(475)	475
Other		(13)	13
Net Changes	<u>125,049</u>	<u>181,041</u>	<u>(55,992)</u>
Balance at December 31, 2019	\$ <u>728,546</u>	\$ <u>724,254</u>	\$ <u>4,292</u>
Proportionate Share's			
City of Krugerville's	\$ 409,086	\$ 406,676	\$ 2,410
Northeast Police Department	319,460	317,578	1,882

***Sensitivity of the net pension liability to changes in the discount rate:***

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ <u>115,203</u>	\$ <u>4,292</u>	\$ <u>(87,301)</u>
City of Krugerville's Proportionate Share	\$ <u>64,688</u>	\$ <u>2,410</u>	\$ <u>(49,020)</u>

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

***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).

E: Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2020 the City recognized pension expense of \$57,945.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between projected and actual investment earnings	\$ 3,235	\$ 0	\$ 3,235
Difference in Assumptions	0	1,547	(1,547)
Differences between expected and actual economic experience	0	14,026	(14,026)
To be recognized in the future	3,235	15,573	\$ (12,338)
Contributions subsequent to the measurement date	8,732	0	
Total	\$ 11,967	\$ 15,573	

The \$8,732 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2020	\$ (3,745)
2021	(3,071)
2022	240
2023	(5,813)
2024	51
Thereafter	0
	\$ (12,338)

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):**

**A: Benefit Plan Description**

The City participates in the Texas Municipal Retirement System (TMRS) administered defined benefit group-term life insurance plan known as the Supplemental Death benefits Fund (SBDF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employer's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

At the December 31, 2019 valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>8</u>
	11

**B: Total OPEB Liability**

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

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

***Actuarial Assumptions:***

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

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.75%
Retiree's share of benefit costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68.
Mortality Rates-service retirees	2019 Municipal Retirees of Texas Morality Tables, the rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Morality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for young members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

***Proportionate Share Percentages:***

The Northeast Police Department participates as nonemployer contributing entity in the City of Krugerville's OPEB plan. Proportionate share percentages are based on each entity's actual payroll during the plan year compared to total payroll of both entities during the plan year.

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

***Changes in Total OPEB Liability:***

Balance at December 31, 2018	\$	14,995
Changes for the year		
Service Cost		1,340
Interest ON Total OPEB Liability		580
Differences between expected and actual results		(1,352)
Changes in assumptions or other inputs		3,745
Benefit Payments *		(67)
Net Changes		<u>4,246</u>
Balance at December 31, 2019	\$	<u>19,241</u>
Proportionate Share's		
City of Krugerville' s	\$	4,063
Northeast Police Department	\$	15,178

\* Due to SDBF being considered an unfunded OPEB plan under GASB No. 75, benefit payments are treated as being equal to employer's yearly contribution for retirees

***Sensitivity of the OPEB liability to changes in the discount rate:***

The following presents the Total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease (1.75%)	Current (2.75%)	1% Increase (3.75%)
Total OPEB Liability	\$ <u>24,515</u>	\$ <u>19,241</u>	\$ <u>15,314</u>
City of Krugerville's proportionate share	\$ <u>5,177</u>	\$ <u>4,063</u>	\$ <u>3,234</u>

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

C: OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2020 the City recognized OPEB expense of \$456.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ 0	\$ 0	\$ 0
Differences between expected and actual economic experience	0	343	(343)
Differences in assumptions	<u>652</u>	<u>0</u>	<u>652</u>
To be recognized in the future	652	343	<u>\$ 310</u>
Contributions subsequent to the measurement date	<u>11</u>	<u>0</u>	
Total	<u>\$ 663</u>	<u>\$ 343</u>	

The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	
2019	\$ 51
2020	51
2021	51
2022	51
2023	45
Thereafter	<u>60</u>
	<u>\$ 310</u>

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool (“TMLIRP”) which is a public entity insurance risk pool. Annual contributions to TML are reported in the general fund. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City.

**CITY OF KRUGERVILLE**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2020**

**NOTE 9: RELATED ORGANIZATIONS AND JOINT VENTURES**

In 2013, the City entered into an interlocal agreement with the Town of Cross Roads to create the Northeast Police Department (NEPD) which became effective October 1, 2013. The term of this agreement runs through September 30, 2021 and the agreement automatically renews for additional periods of two years each unless terminated by one of the parties six months prior to the next expiration date. The affairs of the NEPD is administered by a six-member commission of which three of the commissioners are from Cross Roads and three commissioners are from Krugerville.

Krugerville provided \$421,135 of support to NEPD during fiscal year 2020 and has agreed to provide \$421,135 in support for fiscal year 2021. Future years' support will be determined based on the use of the police services by each municipality.

In 2013, the City entered into an interlocal agreement with the Town of Cross Roads to create the Northeast Municipal Court (NEMC) which became effective October 1, 2013. The term of this agreement runs concurrently with the terms of the NEPD agreement discussed above. The affairs of the NEMC for fiscal year 2020 was administered the City Council of the Town of Cross Roads.

The NEMC will be funded through court revenues generated by citations issued by the NEPD and any excess funds at year end will first be placed in a reserve for three months projected operating costs and any excess funds above this reserve requirement will be distributed to each municipality based on each municipality's respective contributions to the combined courts and police operation each year.

**NOTE 10: SUBSEQUENT EVENTS:**

The City has evaluated all events and transactions that occurred after September 30, 2020 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF KRUGERVILLE, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual Amounts	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>RESOURCES:</b>				
<b>TAXES:</b>				
Property Taxes	\$ 690,240	\$ 688,650	\$ 708,683	\$ 20,033
Sales & Beverage Taxes	233,500	198,200	212,659	14,459
Franchise Fees	73,500	73,500	64,205	(9,295)
<b>TOTAL TAXES</b>	<u>997,240</u>	<u>960,350</u>	<u>985,547</u>	<u>25,197</u>
<b>LICENSES &amp; PERMITS</b>				
Permits & Fees	113,030	168,925	272,614	103,689
Registration Fees	2,500	2,500	4,085	1,585
<b>TOTAL LICENSES &amp; OTHER FEES</b>	<u>115,530</u>	<u>171,425</u>	<u>276,699</u>	<u>105,274</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
Coronavirus Relief Funds	<u>0</u>	<u>101,200</u>	<u>101,200</u>	<u>0</u>
<b>CHARGES FOR SERVICES</b>				
Solid Waste Collection Fees (Net)	<u>27,040</u>	<u>46,000</u>	<u>32,367</u>	<u>(13,633)</u>
<b>INTEREST INCOME</b>	<u>24,000</u>	<u>24,000</u>	<u>9,224</u>	<u>(14,776)</u>
<b>OTHER SOURCES</b>				
Other Revenues	44,400	7,800	9,460	1,660
Street Maintenance- Burnco	13,000	11,720	11,720	0
Transfer from EDC for Administration	1,253	1,253	1,253	0
Transfer from CDC for Administration	1,253	1,253	1,253	0
Transfer from CDC for Park Maintenance	13,926	13,926	13,926	0
<b>TOTAL OTHER SOURCES</b>	<u>73,832</u>	<u>35,952</u>	<u>37,612</u>	<u>1,660</u>
<b>TOTAL RESOURCES AVAILABLE</b>	\$ <u>1,237,642</u>	\$ <u>1,338,927</u>	\$ <u>1,442,649</u>	\$ <u>103,722</u>

**CITY OF KRUGERVILLE, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual Amounts	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>CHARGES TO APPROPRIATIONS:</b>				
<b>ADMINISTRATION</b>				
Salaries & Wages-City Secretary	\$ 72,640	\$ 72,640	\$ 72,640	\$ 0
Salaries & Wages-Deputy City Sect.	44,040	44,040	44,040	0
Salaries & Wages-Public Works	32,616	47,138	43,671	3,467
Payroll Taxes	11,448	12,972	12,787	185
Retirement	12,554	12,965	12,394	571
Health Insurance	15,640	16,500	16,396	104
Accounting & Audit Fees	19,100	19,100	19,100	0
Engineering Services	11,900	30,049	35,071	(5,022)
Legal Fees	7,500	8,000	10,097	(2,097)
Inspection Services	40,050	58,975	100,411	(41,436)
Coodification Services	5,500	5,500	5,500	0
Appraisal & Tax Collection Fees	4,265	5,000	5,030	(30)
Building & Equipment Maintenance	3,250	3,700	6,485	(2,785)
Cares Relief Fund Public Safety	0	86,200	18	86,182
Copier & Postage Rental	3,900	3,900	3,667	233
Dues & Subscriptions	1,580	1,392	1,898	(506)
Insurance	8,368	8,130	8,645	(515)
IT Support	23,200	25,000	21,729	3,271
Miscellaneous Expenses	800	1,148	1,166	(18)
Office Supplies	3,500	8,313	9,307	(994)
Postage	1,800	2,000	2,501	(501)
Printing	200	100	0	100
Public Notices & Advertising	3,000	2,500	2,650	(150)
Telephone & Internet	4,200	3,900	3,910	(10)
Travel & Training	3,000	3,000	2,444	556
Utilities & Street Lights	18,150	18,480	20,956	(2,476)
<b>TOTAL ADMINISTRATION</b>	<b>352,201</b>	<b>500,642</b>	<b>462,513</b>	<b>38,129</b>
<b>PUBLIC SERVICES</b>				
Ambulance Service	15,000	15,000	15,000	0
Animal Control	14,865	14,865	14,865	0
Code Enforcement	0	0	800	(800)
Fire Service	130,000	130,000	130,000	0
Library	10,000	10,000	10,000	0
Police Services	421,135	421,135	421,135	0
<b>TOTAL PUBLIC SERVICES</b>	<b>591,000</b>	<b>591,000</b>	<b>591,800</b>	<b>(800)</b>

**CITY OF KRUGERVILLE, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

For the Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual Amounts	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>PUBLIC WORKS</b>				
Contract Services		850	850	0
Uniforms	700	500	584	(84)
Drainage Maintenance	36,000	36,000	36,000	0
Street & Equipment Maintenance	14,500	23,220	2,687	20,533
Vehicle Expenses	1,500	1,500	1,359	141
<b>TOTAL PUBLIC WORKS</b>	<b>52,700</b>	<b>62,070</b>	<b>41,480</b>	<b>20,590</b>
<b>CAPITAL OUTLAY</b>				
Administration	60,000	97,000	93,078	3,922
Public Works	0	0	0	0
<b>TOTAL CAPITAL OUTLAY</b>	<b>60,000</b>	<b>97,000</b>	<b>93,078</b>	<b>3,922</b>
			0	
<b>DEBT SERVICE</b>	<b>205,741</b>	<b>94,583</b>	<b>94,340</b>	<b>243</b>
<b>TOTAL EXPENDITURES</b>	<b>1,261,642</b>	<b>1,345,295</b>	<b>1,283,211</b>	<b>62,084</b>
<b>EXCESS OF REVENUES OVER (UNDER EXPENDITURES)</b>	<u>(24,000)</u>	<u>(6,368)</u>	<u>159,438</u>	<u>\$ 165,806</u>
<b>BIDGETARY FUNDS BALANCE</b>				
<b>BEGINNING OF YEAR</b>	<u>645,426</u>	<u>645,426</u>	<u>645,426</u>	
<b>END OF YEAR</b>	<u>\$ 621,426</u>	<u>\$ 639,058</u>	<u>\$ 804,864</u>	

**CITY OF KRUGERVILLE**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**September 30, 2020**

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>						
Service Cost	\$ 98,555	95,784	89,738	96,371	89,263	54,421
Interest (on the Total Pension Liability)	43,805	37,014	28,742	22,220	15,470	8,495
Changes in benefit terms	0	0	0	0	0	0
Difference between expected and actual experience	(11,800)	(25,951)	9,429	(5,238)	2,814	29,118
Change of assumptions	2,107	0	0	0	10,023	0
Benefit payments, including refunds of employee contributions	0 (7,618)	0 (7,618)	0 (9,154)	0 (17,679)	0 (8,205)	0 (11,408)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<u>125,049</u>	<u>99,229</u>	<u>118,755</u>	<u>95,674</u>	<u>109,365</u>	<u>80,626</u>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<u>603,497</u>	<u>504,268</u>	<u>385,513</u>	<u>289,839</u>	<u>180,474</u>	<u>99,848</u>
<b>TOTAL PENSION LIABILITY - ENDING (a)</b>	<u>\$ 728,546</u>	<u>603,497</u>	<u>504,268</u>	<u>385,513</u>	<u>289,839</u>	<u>180,474</u>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - Employer	\$ 57,750	55,021	53,198	48,696	48,918	13,239
Contributions - Employee	46,899	45,580	42,559	44,675	44,127	37,422
Net investment income	84,498	(13,982)	46,169	16,288	229	6,288
Benefit payments, including refunds of employee contributions	(7,618)	(7,618)	(9,154)	(17,679)	(8,205)	(11,408)
Administrative expense	(475)	(269)	(238)	(183)	(140)	(66)
Other	(13)	(14)	(12)	(10)	(6)	(5)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<u>181,041</u>	<u>78,718</u>	<u>132,522</u>	<u>91,787</u>	<u>84,923</u>	<u>45,470</u>
<b>PLAN NET FIDUCIARY POSITION - BEGINNING</b>	<u>543,213</u>	<u>464,495</u>	<u>331,973</u>	<u>240,186</u>	<u>155,263</u>	<u>109,793</u>
<b>PLAN NET FIDUCIARY POSITION - ENDING (b)</b>	<u>\$ 724,254</u>	<u>543,213</u>	<u>464,495</u>	<u>331,973</u>	<u>240,186</u>	<u>155,263</u>
<b>NET PENSION LIABILITY (a) - (b)</b>	<u>\$ 4,292</u>	<u>60,284</u>	<u>39,773</u>	<u>53,540</u>	<u>49,653</u>	<u>25,211</u>

**CITY OF KRUGERVILLE**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**September 30, 2020**

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CITY OF KRUGERVILLE PROPORTIONATE SHARE OF NET PENSION LIABILITY</b>						
Proportionate Percentage *	<u>56.15%</u>	<u>23.90%</u>	<u>24.34%</u>	<u>17.99%</u>	<u>11.85%</u>	<u>10.75%</u>
Proportionate Share	<u>\$ 2,410</u>	<u>14,409</u>	<u>9,680</u>	<u>9,632</u>	<u>5,882</u>	<u>2,709</u>
* based upon actual contributions made by each contributing entity.						
Plan Fiduciary Net Position as a percentage of Total Pension Liability	99.41%	90.01%	92.11%	86.11%	82.87%	86.03%
Covered employee payroll	\$ 669,984	651,146	607,981	638,220	630,389	534,604
Net Pension Liability as a percentage of covered payroll	0.64%	9.26%	6.54%	8.39%	7.88%	4.72%

**CITY OF KRUGERVILLE**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**September 30, 2020**

Fiscal Year	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially Determined Contribution	\$ 12,162	12,345	11,620	9,219	6,102	4,042
Contributions in relation to the actuarially determined contribution	12,162	12,345	11,620	9,219	6,102	4,042
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	146,148	142,088	134,484	113,908	81,835	51,291
Contributions as a percentage of covered payroll	8.32%	8.69%	8.64%	8.09%	7.46%	7.88%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	13 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5%, 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 the Public Safety table used for males and the Generational Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes There were no benefit changes during the year

**CITY OF KRUGERVILLE**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

**September 30, 2020**

Plan Year	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL OPEB LIABILITY</b>			
Total OPEB Liability Beginning of Year	\$ 14,995	\$ 14,905	\$ 11,598
Changes for the year			
Service Cost	1,340	1,628	1,338
Interest on Total OPEB Liability	580	520	464
Changes in benefit terms	0	0	0
Difference between expected and actual experience	(1,352)	(612)	0
Change of assumptions or other inputs	3,745	(1,446)	1,505
Benefit payments	(67)	0	0
<b>NET CHANGE IN OPEB LIABILITY</b>	<u>4,246</u>	<u>90</u>	<u>3,307</u>
<b>TOTAL OPEB LIABILITY - END OF YEAR</b>	<u>\$ 19,241</u>	<u>\$ 14,995</u>	<u>\$ 14,905</u>

**CITY OF KRUGERVILLE PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY**

Proportionate Percentage *	<u>21.12%</u>	<u>20.93%</u>	<u>20.93%</u>
Proportionate Share	\$ <u>4,063</u>	\$ <u>3,139</u>	\$ <u>3,120</u>

\* based upon actual contributions made by each contributing entity.

Covered employee payroll	\$ 669,984	\$ 651,146	\$ 607,981
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OPEB Liability as a percentage of covered payroll	2.87%	2.30%	2.45%
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There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

**WILLIAM C. SPORE, P.C.**  
**Certified Public Accountants**  
**200 N. Rufe Snow Drive, Ste 116,**  
**Keller, TX 76248**  
**817-421-6619**

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

To the City Council  
City of Krugerville, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the City of Krugerville as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the City of Krugerville's basic financial statements, and have issued my report thereon dated January 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the City of Krugerville's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Krugerville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Krugerville's internal control over financial reporting.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.



## **Compliance**

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

## **Purpose of this Report**

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

*William C. Spore, P.C.*

Keller, Texas

January 28, 2021