

CITY OF KRUGERVILLE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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WILLIAM C SPORE, P.C.
Certified Public Accountants
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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, 2019, 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, 2019, 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.

William C. Spore, P.C.

Keller, Texas

Certified Public Accountants

January 23, 2020

CITY OF KRUGERVILLE

CITY OFFICIALS

September 30, 2019

MAYOR

Jeff Parrent

MAYOR PRO TEM

Kristen Kromer

COUNCIL MEMBERS

Thurman Bridges

John Nipe

Grant Wills

George Withers

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, 2019. 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, 2019 by \$2,418,740, an increase of \$326,750.
- The City's governmental fund balance increased \$44,853 during the 2019 fiscal year to a total of \$2,172,998.

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, 2019 and 2018 are as follows:

	NET POSITION	
	2019	2018
Current and Other Assets	\$ 2,249,865	\$ 2,209,485
Capital Assets	<u>1,853,909</u>	<u>1,669,650</u>
Total Assets	<u>4,103,774</u>	<u>3,879,135</u>
Deferred Outflows of Resources	<u>14,638</u>	<u>10,236</u>
Long-Term Liabilities	1,608,367	1,612,391
Other Liabilities	<u>85,067</u>	<u>181,024</u>
Total Liabilities	<u>1,693,434</u>	<u>1,793,415</u>
Deferred Inflows of Resources	<u>6,238</u>	<u>3,966</u>
Net Position:		
Invested in Capital Assets, net		
of debt	1,226,164	939,760
Restricted for Economic Development	439,960	371,446
Restricted for Community Development	125,030	198,754
Other Purposes	12,453	16,708
Unrestricted	<u>615,133</u>	<u>565,322</u>
Total Net Position	<u>\$ 2,418,740</u>	<u>\$ 2,091,990</u>

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 (\$963,073), Economic Development (\$418,080), Community Development (\$104,464), customer deposits (\$29,892) debt service (\$14,968) and development (\$12,452). The remaining cash balances of \$588,962 at September 30, 2019 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 \$7,099 and \$55,301 of the proceeds during 2019 and 2018 respectively and the remaining funds will be expended in fiscal year 2020.

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, 2019 & 2018.

	CHANGES IN NET POSITION	
	2019	2018
REVENUES		
Program Revenues:		
Charges for Services	\$ 175,277	\$ 250,589
Capital Grants & Reimbursements	0	0
Operating Grants & Donations	50,887	90,513
General Revenues:		
Property Taxes	661,614	493,886
Sales & Beverage Taxes	495,736	489,110
Franchise Fees	68,345	75,890
Interest Income	45,925	12,470
Total Revenues	<u>\$ 1,497,784</u>	<u>\$ 1,412,458</u>
PROGRAM EXPENSES		
General Government	\$ 429,399	\$ 460,533
Culture & Recreation	66,393	34,345
Public Safety	437,620	420,127
Public Works	176,750	228,886
Interest on Long-Term Debts	60,872	44,411
Total Expenses	<u>1,171,034</u>	<u>1,188,302</u>
Increase (Decrease) in		
Net Position	<u>\$ 326,750</u>	<u>\$ 224,156</u>

Charges for services revenues decreased from the prior year due a reduction in permit/development fee revenues from the prior year and the prior year included a \$25,000 insurance claim of which there were no similar revenues in the current year. Sales tax (1.36%) and property tax revenues (33.96%) increased from the prior. The increase in property tax revenues is due to both an increase in the City's property tax rate and an increase in the assessed value of properties within the City.

In 2018 and 2019, as required by GASB No. 68, *Accounting and Financial Reporting for Pensions*, operating grant revenues include \$45,112 and \$51,104, respectfully, of pension contributions from the Northeast Police Department and the Northeast Municipal Court. The employees of these two entities participate as nonemployer contributing entities in the City of Krugervilles' pension plan. See note 6.

General government expenditures decreased \$31,134 during fiscal year 2019 primarily due to 2018 general government expenditures included \$28,000 of debt-issue costs related to the certificates of obligations issued in 2018 of which there were no similar expenses in 2019. Engineering expenditures increased \$12,825 during 2019 due to ongoing street and drainage issues addressed by the City during 2018 and 2019.

Public safety expenditures increased \$17,493 during 2019 as the City increased its expenditures for fire services (\$10,000) and library services (\$5,000) from the prior year. The cost of police services, \$297,941, did not change from 2018 to 2019.

Public works expenditures in 2019 decreased due to a decrease in personnel costs of \$6,254 and a decrease in street and drainage maintenance expenditures of \$8,818.

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:

		2019		2018
REVENUES				
Property Taxes	\$	661,614	\$	497,941
Sales & Beverage Taxes		495,736		489,110
Franchise Fees		68,345		75,890
Intergovernmental Grants		0		0
Permits & Fees		125,098		184,702
Solid Waste Fees (Net)		28,364		25,528
Donations		5,775		46,605
Miscellaneous Revenues		21,815		40,359
Proceeds from Issuance of Debt		0		972,000
Interest Income		45,925		12,470
TOTAL REVENUES	\$	1,452,672	\$	2,344,605
EXPENDITURES				
General Government	\$	372,911	\$	376,521
Culture & Recreation		38,845		13,210
Public Safety		437,620		420,127
Public Works		114,140		168,604
Debt Service		163,238		99,202
Capital Outlay		281,065		66,959
TOTAL EXPENDITURES	\$	1,407,819	\$	1,144,623
 CHANGE IN FUND BALANCE	 \$	 44,853	 \$	 1,199,982

General government revenues in fiscal year 2018 included the net proceeds (\$972,000) from the issuance of certificates of obligations. The debt proceeds are being used for road and drainage improvements and for fire suppression improvements.

Capital outlay expenditures in 2019 included park improvements of \$202,316.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2019 budget general fund was amended by the City Council during the fiscal year. The amendments decreased budgeted revenues by \$51,207 and increased budgeted expenditures by \$46,466. The amended budget resulted in a budgeted excess of revenues over expenditures of \$28,514.

Actual tax revenues were \$16,909 greater than budgeted revenues and interest income actual revenues were \$10,476 greater than budgeted revenues. Total actual expenditures were \$16,926 over budget and the actual excess of revenues over expenditures of \$36,952 was \$8,438 more than the budgeted excess of revenues over expenditures of \$28,514

Actual administration expenditures were \$18,026 less than budgeted expenditures. Legal fees (\$5,887) and inspection services (\$5,207) were significantly under budget which accounted for much of the administration department budget variance. Public works actual street and equipment maintenance expenditures were \$12,320 under budget and the City transferred \$46,500 to the CDC for park improvements which was not included in the budgeted expenditures.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2019 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:

	2019		2018
Land	\$ 690,682	\$	690,682
Buildings & Improvements	240,447		187,830
Equipment	20,788		7,780
Vehicles	3,237		7,554
Parks	466,254		290,979
Infrastructure-Streets	432,501		484,825
TOTAL	\$ 1,853,909	\$	1,669,650

The major capital additions during the current fiscal year included \$47,088 for a maintenance building, \$15,421 for a security fence and \$202,316 for park improvements.

DEBT ADMINISTRATION

The City did not issue any new long-term debts during 2019. Outstanding long-term debts are as follows:

	2019	2018
Certificates of Obligation	983,999	1,046,249
Tax Notes	606,819	628,865
Notes Payable	0	4,247
TOTAL	\$ 1,590,818	\$ 1,679,361

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 2020 budget includes budgeted revenues of \$2,596,266 (including \$937,387 of unspent debt proceeds carried over from 2019) and budgeted expenditures of \$2,596,268. Budgeted revenues include property taxes of \$690,240, which was based on the same tax rate of 39.0022 cents per \$100 of assessed value used in 2019.

Budgeted 2020 expenditures include \$188,938, for salaries and benefits, \$7,500 for legal fees, \$26,600 for engineering fees, \$421,135 for police services, \$145,000 for ambulance and fire service, \$936,900 for infrastructure and drainage improvements and \$205,741 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, 2019

ASSETS

Cash	\$ 588,962
Receivables (Net of Bad Debts)	116,977
Prepaid Expenses	997
Restricted Cash	1,542,929

CAPITAL ASSETS

Land	690,682
Buildings & Improvements	322,094
Equipment & Vehicles	127,736
Parks	651,099
Infrastructure - Streets	1,020,609
Accumulated Depreciation	(958,311)

NET CAPITAL ASSETS

	<u>1,853,909</u>
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TOTAL ASSETS	\$ <u>4,103,774</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension Related	\$ 14,638
TOTAL DEFERRED OUTFLOWS	\$ <u>14,638</u>

LIABILITIES

Accounts Payable	\$ 26,876
Accrued Liabilities	28,299
Customer Deposits	29,892
Noncurrent Liabilities:	
Due within one year	86,853
Due in more than one year	1,503,965
Proportionate Share of Net Pension Liability	14,409
Proportionate Share of OPEB Liability	3,140
TOTAL LIABILITIES	<u>1,693,434</u>

DEFERRED INFLOWS OF RESOURCES

Pension Related	6,090
OPEB Related	148
TOTAL DEFERRED INFLOWS	<u>6,238</u>

NET POSITION

Invested in Capital Asset, Net of Related Debt	1,226,164
Restricted for Economic Development	439,960
Restricted for Community Development	125,030
Other Purposes	12,453
Unrestricted	615,133
TOTAL NET POSITION	\$ <u>2,418,740</u>

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

For the Year Ended September 30, 2019

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & DONATIONS</u>	<u>CAPITAL GRANTS & REIMBURSE- MENTS</u>	<u>NET (EXPENSE) REVENUE</u>
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (429,399)	\$ 175,277	\$ 45,112	\$ 0	\$ (209,010)
Culture & Recreation	(66,393)	0	5,775	0	(60,618)
Public Safety	(437,620)	0	0	0	(437,620)
Public Works	(176,750)	0	0	0	(176,750)
Interest on Long-Term Debt	(60,872)	0	0	0	(60,872)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,171,034)	\$ 175,277	\$ 50,887	\$ 0	(944,870)
GENERAL REVENUE					
Property Taxes					661,614
Sales & Beverage Taxes					495,736
Franchise Fees					68,345
Interest Income					45,925
TOTAL GENERAL REVENUE					1,271,620
CHANGE IN NET ASSETS					326,750
NET POSITION - BEGINNING					2,091,990
NET POSITION - ENDING					\$ 2,418,740

CITY OF KRUGERVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2019

ASSETS	GENERAL FUND	CIP FUND	ECONOMIC DEVELOP.	COMMUNITY DEVELOP.	TOTAL
Cash	\$ 646,274	\$ 963,073	\$ 418,080	\$ 104,464	\$ 2,131,891
Receivables:					
Sales & Beverage Taxes	44,611	0	21,880	21,880	88,371
Franchise Taxes	18,490	0	0	0	18,490
Property Taxes	9,655	0	0	0	9,655
Solid Waste Collection (net of Allowance for Bad Debts)	461	0	0	0	461
Due To/Due From Other Funds	491	(491)	0	0	0
Prepaid Expenses	997	0	0	0	997
TOTAL ASSETS	\$ 720,979	\$ 962,582	\$ 439,960	\$ 126,344	\$ 2,249,865
LIABILITIES					
Accounts Payable	\$ 25,562	\$ 0	\$ 0	\$ 1,314	\$ 26,876
Accrued Liabilities	9,273	0	0	0	9,273
Customer Credit Balances	1,426	0	0	0	1,426
Customer Deposits	29,892	0	0	0	29,892
TOTAL LIABILITIES	66,153	0	0	1,314	67,467
DEFERRED INFLOWS					
Unavailable Revenue-Property Taxes	9,400	0	0	0	9,400
FUND BALANCE					
Non-Spendable Prepaid Expenses	997	0	0	0	997
Restricted:					
Debt Service	14,968	0	0	0	14,968
CIP Funds	0	962,582	0	0	962,582
Economic Development	0	0	439,960	0	439,960
Community Development	0	0	0	125,030	125,030
Committed Funds:					
Development	1,576	0	0	0	1,576
Burnco	10,877	0	0	0	10,877
Unassigned	617,008	0	0	0	617,008
TOTAL FUND BALANCE	645,426	962,582	439,960	125,030	2,172,998
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND EQUITY	\$ 720,979	\$ 962,582	\$ 439,960	\$ 126,344	\$ 2,249,865

CITY OF KRUGERVILLE, TEXAS

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

September 30, 2019

Fund Balance Above	\$ 2,172,998
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.	1,853,909
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	9,400
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	(1,608,419)
Proportionate share of total OPEB liability, net pension liability and related deferred inflows and outflows of resources	(9,148)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>2,418,740</u>

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

For the Year Ended September 30, 2019

	<u>GENERAL</u> <u>FUND</u>	<u>CIP</u> <u>FUND</u>	<u>ECONOMIC</u> <u>DEVELOP.</u>	<u>COMMUNITY</u> <u>DEVELOP.</u>	<u>TOTAL</u>
REVENUES					
Property Taxes	\$ 661,614	\$ 0	\$ 0	\$ 0	\$ 661,614
Sales & Beverage Taxes	249,478	0	123,129	123,129	495,736
Franchise Fees	68,345	0	0	0	68,345
Permits & Fees	125,098	0	0	0	125,098
Solid Waste Collection Fees (Net)	28,364	0	0	0	28,364
Donation Revenues	0	0	0	5,775	5,775
Miscellaneous Revenues	21,565	0	0	250	21,815
Interest Income	14,476	20,210	7,695	3,544	45,925
TOTAL REVENUES	<u>1,168,940</u>	<u>20,210</u>	<u>130,824</u>	<u>132,698</u>	<u>1,452,672</u>
EXPENDITURES					
General Government	359,990	0	12,035	886	372,911
Culture & Recreation	0	0	0	38,845	38,845
Public Safety	437,620	0	0	0	437,620
Public Works	107,041	7,099	0	0	114,140
Debt Service - Principal	66,497	0	0	22,046	88,543
Debt Service - Interest	47,591	0	0	27,104	74,695
Capital Outlay	78,749	0	25,700	176,616	281,065
TOTAL EXPENDITURES	<u>1,097,488</u>	<u>7,099</u>	<u>37,735</u>	<u>265,497</u>	<u>1,407,819</u>
EXCESS REVENUES OVER (UNDER)					
BEFORE OTHER SOURCES	<u>71,452</u>	<u>13,111</u>	<u>93,089</u>	<u>(132,799)</u>	<u>44,853</u>
OTHER FINANCING SOURCES (USES):					
Transfer from CDC for Park Maintenance	12,000	0	0	(12,000)	0
Transfer to CDC for Park Improvements	(46,500)	0	0	46,500	0
Transfer from EDC For Debt Service	0	0	(24,575)	24,575	0
TOTAL OTHER FINANCING SOURCES	<u>(34,500)</u>	<u>0</u>	<u>(24,575)</u>	<u>59,075</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>36,952</u>	<u>13,111</u>	<u>68,514</u>	<u>(73,724)</u>	<u>44,853</u>
FUND BALANCE - BEGINNING	608,474	949,471	371,446	198,754	2,128,145
FUND BALANCE - ENDING	<u>\$ 645,426</u>	<u>\$ 962,582</u>	<u>\$ 439,960</u>	<u>\$ 125,030</u>	<u>\$ 2,172,998</u>

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, 2019

Net Change in Fund Balance - Governmental Funds	44,853
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	281,065
Depreciation expense on capital assets	(96,806)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	88,543
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	0
Revenues in the statement of activities include retirement plan contributions from nonemployer contributing entities	45,112
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	13,823
Accrued Compensated Absences	(2,110)
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	(47,730)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>326,750</u></u>

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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, 2019

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, 2019

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 principle 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, 2019

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, 91, Conduit Debt Obligation. This statement is effective for fiscal years beginning after December 15, 2020. 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 2020 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, 2019

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, 2019 was \$6,310.

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, 2019

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, 2019

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 funds lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2019, no 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		455,345
Held at TexSTAR		828,732
Held at Texas Class		<u>847,714</u>
	\$	<u><u>2,131,891</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, 2019

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, 2019, the City's local bank balances (per bank) totaled \$509,933 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, 2019. Securities pledged by the City's depository institution at September 30, 2019 are as follows:

SECURITY	PAR	FMV
FNMA maturing 6/1/2045	\$607,249	\$653,298
FNMA maturing 11/1/2045	<u>593,396</u>	<u>631,628</u>
	<u>\$1,202,645</u>	<u>\$1,284,926</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, 2019

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2019 is as follows:

	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 690,682	\$ 0	\$ 0	\$ 690,682
Capital Assets being Depreciated:				
Building & Improvements	\$ 259,585	\$ 62,509	\$ 0	\$ 322,094
Equipment	89,912	16,240	0	106,152
Vehicles	21,584	0	0	21,584
Parks	448,783	202,316	0	651,099
Infrastructure-Streets	1,020,609	0	0	1,020,609
Total Capital Assets Being Depreciated	\$ 1,840,473	\$ 281,065	\$ 0	\$ 2,121,538
LESS ACCUMULATED DEPRECIATION				
Building & Improvements	\$ 71,755	\$ 9,892	\$ 0	\$ 81,647
Equipment	82,132	3,232	0	85,364
Vehicles	14,030	4,317	0	18,347
Parks	157,804	27,041	0	184,845
Infrastructure-Streets	535,784	52,324	0	588,108
TOTAL ACCUMULATED DEPRECIATION	\$ 861,505	\$ 96,806	\$ 0	\$ 958,311
TOTAL CAPITAL ASSETS, NET	\$ 1,669,650	\$ 184,259	\$ 0	\$ 1,853,909

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 8,410
Culture & Recreation	27,548
Public Works	60,848
TOTAL DEPRECIATION EXPENSE	\$ 96,806

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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 June 2015, the City borrowed \$21,634 from Point Bank for the purchase of a public works vehicle. The loan bears interest at 2.86%, requires forty-eight monthly installments, including interest, of \$478, and matures in June 2019. The loan is secured by the vehicle purchased. The note was paid off in 2019.

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	\$ 46,249	\$ 0	\$ (8,337)	\$ 37,912	\$ 8,770
Series 2018, Certificates of Obligation	1,000,000	0	(53,913)	946,087	55,087
2017 Tax Notes (CDC)	628,865	0	(22,046)	606,819	22,996
Note Payable-Truck	4,247	0	(4,247)	0	0
TOTAL LONG-TERM DEBT	\$ <u>1,679,361</u>	\$ <u>0</u>	\$ <u>(88,543)</u>	\$ <u>1,590,818</u>	\$ <u>86,853</u>

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

Future debt maturities are as follows:

Certificates of Obligation			
YEAR ENDING			
SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2020	\$ 63,857	\$ 31,676	\$ 95,533
2021	66,226	29,494	10,741
2022	67,706	27,224	10,742
2023	70,210	24,896	10,742
2024	62,000	22,482	84,482
2025-2029	340,000	81,954	421,954
2030-2033	<u>314,000</u>	<u>25,026</u>	<u>339,026</u>
TOTALS	\$ <u>983,999</u>	\$ <u>242,752</u>	\$ <u>973,220</u>

2017 Tax Notes (CDC)			
YEAR ENDING			
SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2020	\$ 22,996	\$ 26,154	\$ 49,150
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
2025-2029	154,769	90,982	245,751
2030-2034	191,124	54,629	245,753
2035-2037	<u>135,597</u>	<u>11,853</u>	<u>147,450</u>
TOTALS	\$ <u>606,819</u>	\$ <u>277,885</u>	\$ <u>884,704</u>

NOTE 6: RETIREMENT PLAN:

A. Plan Description

The City of Krugerville participates as one of 887 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.

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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:

	2018	2019
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>9</u>
	17

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 8.74% and 8.55% for the calendar years 2019 and 2018 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$57,456 and were equal to the required contributions.

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For additional conservatism, lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018 valuation were developed primarily from the actuarial investigation of experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post retirement mortality assumption for healthy annuitants and annuity purchase rates (APRs) were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of 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)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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 these two entities totaled \$57,456 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, 2019

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2017	\$ 504,268	\$ 464,495	\$ 39,773
Service Cost	95,784		95,784
Interest	37,014		37,014
Differences between expected and actual results	(25,951)		(25,951)
Changes in Assumptions	0		0
Contributions - employer		55,021	(55,021)
Contributions - employee		45,580	(45,580)
Net investment income		(13,982)	13,982
Benefit Payments, including refunds of employee contributions	(7,618)	(7,618)	0
Administrative expense		(269)	269
Other		(14)	14
Net Changes	<u>99,229</u>	<u>78,718</u>	<u>20,511</u>
Balance at December 31, 2018	<u>\$ 603,497</u>	<u>\$ 543,213</u>	<u>\$ 60,284</u>
Proportionate Share's			
City of Krugerville's	\$ 144,247	\$ 129,838	\$ 14,409
Northeast Police Department	459,250	413,375	45,875

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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) 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>153,197</u>	\$ <u>60,284</u>	\$ <u>(15,914)</u>
City of Krugerville's Proportionate Share	\$ <u>36,619</u>	\$ <u>14,409</u>	\$ <u>(3,804)</u>

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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.

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

For the year ended September 30, 2019 the City recognized pension expense of \$59,623.

At September 30, 2019, 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	\$ 5,648	\$ 0	\$	5,648
Difference in Assumptions	0	1,565		(1,565)
Differences between expected and actual economic experience	0	4,525		(4,525)
To be recognized in the future	5,648	6,090	\$	(442)
Contributions subsequent to the measurement date	8,990	0		
Total	\$ 14,638	\$ 6,090		

The \$8,990 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,				
2019		\$	1,416	
2020			(848)	
2021			(377)	
2022			917	
2023			(1,550)	
Thereafter			0	
		\$	(442)	

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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, 2018 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>9</u>
	12

B: Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2018, and the Total OPEB Liability was determined by actuarial valuation as of that date.

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Summary of actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.71%
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 10#% with a e year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor

The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 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, 2019

Changes in Total OPEB Liability:

Balance at December 31, 2017	\$	14,905
Changes for the year		
Service Cost		1,628
Interest ON Total OPEB Liability		520
Differences between expected and actual results		(612)
Changes in assumptions or other inputs		(1,446)
Benefit Payments *		0
Net Changes		90
Balance at December 31, 2018	\$	14,995
Proportionate Share's		
City of Krugerville' s	\$	3,139
Northeast Police Department	\$	11,856

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 3.31%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease (2.71%)	Current (3.71%)	1% Increase (4.71%)
Total OPEB Liability	\$ <u>18,940</u>	\$ <u>14,995</u>	\$ <u>12,045</u>
City of Krugerville's proportionate share	\$ <u>3,965</u>	\$ <u>3,139</u>	\$ <u>2,521</u>

CITY OF KRUGERVILLE

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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

For the year ended September 30, 2019 the City recognized OPEB expense of \$452.

At September 30, 2019, 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	116	(116)
Differences in assumptions	0	42	(42)
To be recognized in the future	0	158	<u>(158)</u>
Contributions subsequent to the measurement date	10	0	
Total	<u>\$ 10</u>	<u>\$ 158</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	\$ (16)
2020	(16)
2021	(16)
2022	(16)
2023	(16)
Thereafter	<u>(76)</u>
	<u>\$ (158)</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, 2019

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, 2019 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 \$297,941 of support to NEPD during fiscal year 2019 and has agreed to provide \$421,135 in support for fiscal year 2020. 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 2019 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, 2019 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, 2019

	Original Budget	Amended Budget	Actual Amounts	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES:				
TAXES:				
Property Taxes	\$ 657,078	\$ 661,528	\$ 661,614	\$ 86
Sales & Beverage Taxes	286,500	228,500	249,478	20,978
Franchise Fees	88,700	72,500	68,345	(4,155)
TOTAL TAXES	<u>1,032,278</u>	<u>962,528</u>	<u>979,437</u>	<u>16,909</u>
LICENSES & PERMITS				
Permits & Fees	111,110	121,930	121,724	(206)
Registration Fees	2,500	2,900	3,374	474
TOTAL LICENSES & OTHER FEES	<u>113,610</u>	<u>124,830</u>	<u>125,098</u>	<u>268</u>
CHARGES FOR SERVICES				
Solid Waste Collection Fees (Net)	<u>29,395</u>	<u>31,000</u>	<u>28,364</u>	<u>(2,636)</u>
INTEREST INCOME	<u>4,000</u>	<u>4,000</u>	<u>14,476</u>	<u>10,476</u>
OTHER SOURCES				
Other Revenues	500	8,100	8,447	347
Street Maintenance- Burnco	15,000	13,118	13,118	0
Transfer from CDC for Park Maintenance	12,000	12,000	12,000	0
TOTAL OTHER SOURCES	<u>27,500</u>	<u>33,218</u>	<u>33,565</u>	<u>347</u>
TOTAL RESOURCES AVAILABLE	\$ <u>1,206,783</u>	\$ <u>1,155,576</u>	\$ <u>1,180,940</u>	\$ <u>25,364</u>

CITY OF KRUGERVILLE, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

	Original Budget	Amended Budget	Actual Amounts	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
CHARGES TO APPROPRIATIONS:				
ADMINISTRATION				
Salaries & Wages-City Secretary	\$ 68,600	\$ 68,600	\$ 68,600	\$ 0
Salaries & Wages-Deputy City Sect.	42,240	42,240	42,235	5
Payroll Taxes	8,335	7,862	7,887	(25)
Retirement	8,911	8,911	8,847	64
Health Insurance	10,000	10,000	10,005	(5)
Accounting & Audit Fees	18,900	18,900	18,900	0
Engineering Services	22,600	73,418	73,567	(149)
Legal Fees	10,000	10,000	4,113	5,887
Inspection Services	40,750	40,800	35,593	5,207
Coodification Services	3,000	3,000	3,000	0
Appraisal & Tax Collection Fees	4,100	4,100	3,966	134
Building & Equipment Maintenance	15,250	8,250	7,141	1,109
Copier & Postage Rental	4,300	4,300	3,948	352
Dues & Subscriptions	850	1,460	1,647	(187)
Elections	3,500	6,665	6,665	0
Insurance	7,988	7,988	7,457	531
IT Support	25,200	24,600	21,540	3,060
Miscellaneous Expenses	12,680	712	903	(191)
Office Supplies	5,500	4,000	3,241	759
Postage	3,000	2,000	2,143	(143)
Printing	200	210	210	0
Public Notices & Advertising	4,000	3,000	2,845	155
Telephone & Internet	4,700	4,050	4,387	(337)
Travel & Training	5,000	2,500	2,574	(74)
Utilities & Street Lights	20,750	20,450	18,576	1,874
TOTAL ADMINISTRATION	350,354	378,016	359,990	18,026
PUBLIC SERVICES				
Ambulance Service	9,823	9,823	9,823	0
Animal Control	14,857	14,857	14,856	1
Fire Service	100,000	100,000	100,000	0
Library	15,000	15,000	15,000	0
Police Services	297,941	297,941	297,941	0
TOTAL PUBLIC SERVICES	437,621	437,621	437,620	1

CITY OF KRUGERVILLE, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

	Original Budget	Amended Budget	Actual Amounts	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
PUBLIC WORKS				
Salaries & Wages	31,560	31,560	32,753	(1,193)
Payroll Taxes	3,059	3,059	3,069	(10)
Retirement	3,466	3,466	3,440	26
Health Insurance	5,000	5,000	5,002	(2)
Uniforms	700	700	606	94
Drainage Maintenance	36,000	50,200	50,700	(500)
Street & Equipment Maintenance	47,000	22,268	9,948	12,320
Vehicle Expenses	2,000	2,000	1,523	477
TOTAL PUBLIC WORKS	128,785	118,253	107,041	11,212
CAPITAL OUTLAY				
Administration	0	6,400	6,392	8
Public Works	49,500	72,436	72,357	79
TOTAL CAPITAL OUTLAY	49,500	78,836	78,749	87
DEBT SERVICE	114,336	114,336	114,088	248
TRANSFERS				
Transfer to CDC for Parks	0	0	46,500	(46,500)
TOTAL EXPENDITURES	1,080,596	1,127,062	1,143,988	(16,926)
EXCESS OF REVENUES OVER (UNDER EXPENDITURES)	126,187	28,514	36,952	\$ 8,438
BIDGETARY FUNDS BALANCE				
BEGINNING OF YEAR	608,474	608,474	608,474	
END OF YEAR	\$ 734,661	\$ 636,988	\$ 645,426	

CITY OF KRUGERVILLE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2019

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

Plan Year	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
CITY OF KRUGERVILLE PROPORTIONATE SHARE OF NET PENSION LIABILITY					
Proportionate Percentage *	<u>23.90%</u>	<u>24.34%</u>	<u>17.99%</u>	<u>11.85%</u>	<u>10.75%</u>
Proportionate Share	\$ <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	90.01%	92.11%	86.11%	82.87%	86.03%
Covered employee payroll	\$ 651,146	\$ 607,981	\$ 638,220	630,389	\$ 534,604
Net Pension Liability as a percentage of covered payroll	9.26%	6.54%	8.39%	7.88%	4.72%

CITY OF KRUGERVILLE

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2019

Fiscal Year	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 12,345	11,620	9,219	\$ 6,102	\$ 4,042
Contributions in relation to the actuarially determined contribution	<u>12,345</u>	<u>11,620</u>	<u>9,219</u>	<u>6,102</u>	<u>4,042</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	142,088	134,484	113,908	81,835	51,291
Contributions as a percentage of covered payroll	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	14 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 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis scale BB

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, 2019

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

CITY OF KRUGERVILLE PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY

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

* based upon actual contributions made by each contributing entity.

Covered employee payroll	\$ 651,146	\$ 607,981
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OPEB Liability as a percentage of covered payroll	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 Dr., Ste 116
Keller, TX 76248
817-421-6619

To the City Council
City of Krugerville

In planning and performing my audit of the financial statements of the governmental activities and major fund of the City of Krugerville as of and for the year ending September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, I considered the City of Krugerville' internal control over financial reporting (internal control) 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 governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A materiel 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.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

This communication is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

William C. Spore, PC
Certified Public Accountants
January 23, 2020