CITY OF KRUGERVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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ANNUAL FINANCIAL REPORT
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Financial Section

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report on Financial Statements

City Council
City of Krugerville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Krugerville, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Krugerville, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Krugerville, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Krugerville, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Krugerville, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

MWH GROUP, P.C. 624 Indiana P.O. Box 97000 Wichita Falls, TX 76307 (940) 723-1471 Fax (940) 723-2251 www.mwhpc.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Krugerville, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Krugerville, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 5 - 11 and 40 - 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do

not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2024, on our consideration of the City of Krugerville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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' 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 City of Krugerville, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
September 11, 2024

CITY OF KRUGERVILLE

CITY OFFICIALS

SEPTEMBER 30, 2023

MAYOR	**Jeff Parrent**
MAYOR PRO TEM	**Kristen Kromer**
COUNCIL MEMBERS	**Rodney Cagle**
	Shane Kading
	Grant Wills
	Marion Ragsdale
ASSISTANT CITY ADMINISTRATOR / CITY SECRETARY	**Sandy Frantz**

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, 2023. The information provided here should be used in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded it liabilities and deferred inflows at September 30, 2023, by $3,651,657, an increase of $672,967.

- The City's governmental fund balance increased $508,580 during the 2023 fiscal year to a total of $2,447,778.

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 12) 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 13) 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 actives (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 18.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position as of September 30, 2023, and 2022 are as follows:

	2023	2022	Change
Current and other assets	$ 3,648,255	$ 2,903,714	$ 744,541
Capital assets	3,966,993	3,813,831	153,162
Total assets	7,615,248	6,717,545	897,703
Deferred outflows of resources	124,572	52,627	71,945
Long-term liabilities	2,737,880	2,758,344	(20,464)
Other liabilities	1,313,939	936,451	377,488
Total liabilities	4,051,819	3,694,795	357,024
Deferred inflows of resources	36,344	96,687	(60,343)
Net Position:			
Net investment in capital assets	1,790,870	1,706,253	84,617
Restricted for Economic Development	401,775	519,572	(117,797)
Restricted for Community Development	363,250	180,310	182,940
Other purposes	87,895	67,937	19,958
Unrestricted	1,007,867	504,618	503,249
Total Net Position	$ 3,651,657	$ 2,978,690	$ 672,967

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 ($561,757), Economic Development ($358,401), Community Development ($320,121), debt service ($29,254), Burnco ($64,313), Municipal Court ($180,996), and Police ($3,758). The remaining cash balances of $1,875,029 at September 30, 2023, 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.

Analysis of City's Operations

The following table provides a summary of the City' Changes in Net Position for the years ended September 30, 2023 and 2022.

	2023	2022	Change
Revenues			
Program revenues:			
Charges for services	$ 570,306	$ 294,556	$ 275,750
Operating grants and donations	479,205	10,834	468,371
General revenues:			
Property taxes	1,174,162	970,379	203,783
Sales and beverage taxes	793,361	547,750	245,611
Franchise fees	91,068	76,742	14,326
Interest income	122,812	21,210	101,602
Sale of Right of Way	342,240	-	342,240
Transfers-NEPD & NEMC Dissolution	-	235,643	(235,643)
Total revenues	3,573,154	2,157,114	1,416,040
Program Expenses:			
General government	642,744	591,815	50,929
Culture and recreation	166,077	104,908	61,169
Public safety	1,259,102	1,033,073	226,029
Public works	757,742	247,291	510,451
Interest on long-term debts	74,522	80,264	(5,742)
Total expenses	2,900,187	2,057,351	842,836
Increase in net position	$ 672,967	$ 99,763	$ 573,204

Charges for services revenues increased from the prior year due an increase in permit/development fee revenues as the growth in commercial and residential development increased in 2023. Property tax revenues increased 21% from the prior year due to an increase in the assessed values of properties within in the City. Sales tax revenues increased 45% in fiscal year 2023 due to increased retail and commercial sales in the city.

The City's agreement with the Town of Cross Roads for funding the operations of the Northeast Police Department and the Northeast Municipal Court expired September 30, 2021, and the Northeast Police Department and the Northeast Municipal court were dissolved, and their assets are in the process of being liquidated and transferred to the two founding Cities. The City received distributions from the dissolution of those entities in 2022 totaling $235,643, which is recorded as a transfer in these financial statements.

General government expenditures increased $842,836 during fiscal year 2023.

Public safety expenditures increased $226,029 during 2023 as the City increased its expenditures for its police department after the dissolution of the Northeast Police Department.

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:

	2023	2022
Revenues:		
Property Taxes	$ 1,172,050	$ 971,701
Sales & Beverage Taxes	793,361	547,750
Franchise Fees	91,068	76,742
Court fines and fees	141,434	116,011
Permits & Fees	166,946	59,840
Solid Waste Fees (Net)	35,668	30,833
Donations	18,170	10,834
Developer Contributions	188,897	45,859
Miscellaneous Revenues	840,636	42,013
Interest Income	122,812	21,210
Total revenues	3,571,042	1,922,793

	2023	2022
Expenditures:		
General Government	$ 558,707	$ 585,925
Culture & Recreation	157,919	64,537
Municipal Court	83,851	44,927
Public Safety	845,992	740,266
Public Services	209,114	185,960
Public Works	710,849	190,733
Debt Service	295,042	259,526
Capital Outlay	400,112	516,948
Total expenditures	3,261,586	2,588,822
Excess revenue over (under) expenditures before other sources	309,456	(666,029)
Other financing sources:		
Long-term lease proceeds	199,124	-
Transfer from NEPD & NEMC	-	235,643
Total other financing sources	199,124	235,643
Change in fund balance	$ 508,580	$ (430,386)

Capital outlay expenditures in 2023 included a long-term building lease ($199,124), drainage improvements ($95,254), road improvements ($14,019), a vehicle for public works ($26,185) and a police vehicle ($65,530).

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2023 budget general fund was amended by the City Council during the fiscal year. The amendments increased budgeted revenues by $2,269,294 and increased budgeted expenditures by $1,629,089. The amended budget resulted in income of $640,205.

Actual tax revenues were $30,750 lower than budgeted tax revenues and actual sales tax revenues were $929,221 lower than budgeted sales tax revenues.

Total actual expenditures were $1,496,231 under budget and the actual excess of revenues under expenditures of $573,226 was $66,979 lower than the budgeted income of $640,205.

Budgeted administration expenditures included $337,000 in 2016 380 obligation expenditures, but the funds were not expended during 2023. Additionally, the City budgeted $1,192,544 in street maintenance projects that were not completed during the year. These positive variances accounts for most of the total budgeted expenditure positive variance of $1,496,231.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2023, amounts to $3,966,993 (net of depreciation). The investment in capital assets includes buildings, office equipment and infrastructure. A schedule of capital assets is as follows:

	2023	2022
Land	$ 1,392,719	$ 1,392,719
Construction in Progress	56,187	878,854
Buildings & Improvements	315,266	340,757
Equipment	276,939	254,973
Parks	597,140	644,034
Infrastructure-Streets	1,142,893	278,174
Building lease	185,849	24,320
Total	$ 3,966,993	$ 3,813,831

DEBT ADMINISTRATION

Outstanding long-term debts are as follows:

	2023	2022
Certificates of Obligation	$2,041,000	$2,199,210
Tax Notes	508,714	534,814
Building Lease	188,166	24,320
Total	$2,737,880	$2,758,344

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 2024 budget includes budgeted revenues of $3,757,181 and budgeted expenditures of $3,757,181. Budgeted revenues include property taxes of $1,311,852, which was based on a tax rate of 42.8701 cents per $100 of assessed value, which is the same as the rate used in 2023.

Budgeted 2024 expenditures include $447,491, for general services, $106,834 for municipal court, $976,210 for public safety, $203,635 for public services, $723,050 for public works, and $198,341 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.

Basic Financial Statements

EXHIBIT A-1

CITY OF KRUGERVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	$ 1,875,028
Receivables, net	234,727
Prepaid expenses	19,899
Restricted assets:	
Cash and cash equivalents	1,518,601
Capital assets, net:	
Land	1,392,719
Construction in progress	56,187
Buildings and improvements	674,660
Equipment and vehicles	563,814
Parks	915,190
Infrastructure - streets	1,952,549
Accumulated depreciation	(1,588,126)
Total capital assets, net	3,966,993
Total assets	7,615,248
Deferred Outflows of Resources	
Deferred outflows of resources from pensions	123,219
Deferred outflows of resources from OPEB	1,353
Total deferred outflows of resources	124,572
Liabilities	
Accounts payable and accrued liabilities	1,133,205
Unearned revenue	9,282
Customer deposits	42,571
Accrued interest	23,915
Compensated absences	26,763
Long-term liabilities:	
Due or payable within one year	213,212
Due or payable in more than one year	2,524,668
Net pension liability	61,138
Total OPEB liability	17,065
Total liabilities	4,051,819
Deferred Inflows of Resources	
Deferred inflows of resources from pensions	28,329
Deferred inflows of resources from OPEB	8,015
Total deferred inflows of resources	36,344
Net Position	
Net investment in capital assets	1,790,870
Restricted for:	
Economic Development	380,919
Community Development	342,394
Other Projects	87,895
Unrestricted	1,049,579
Total net position	$ 3,651,657

The accompanying notes are an integral part of this statement.

EXHIBIT A-2

CITY OF KRUGERVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government:				
Governmental activities:				
General government	$ (642,744)	$ 239,975	$ -	$ (402,769)
Culture and recreation	(166,077)	-	18,170	(147,907)
Public safety	(1,259,102)	141,434	759	(1,116,909)
Public works	(757,742)	188,897	460,276	(108,569)
Interest on long-term debt	(74,522)	-	-	(74,522)
Total governmental activities	$ (2,900,187)	$ 570,306	$ 479,205	(1,850,676)

General revenues:	
Taxes:	
Property tax	1,174,162
Sales and beverage tax	793,361
Franchise fees	91,068
Interest income	122,812
Sale of Right of Way	342,240
Total general revenues and transfers	2,523,643
Change in net position	672,967
Net position, beginning	2,978,690
Net position, ending	$ 3,651,657

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

CITY OF KRUGERVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	CIP Fund	Economic Development	Community Development	Total
Assets:					
Cash and cash equivalents	$ 2,153,350	$ 561,757	$ 358,401	$ 320,121	$ 3,393,629
Receivables, net:					
Ad valorem taxes	15,419	-	-	-	15,419
Sales taxes	86,746	-	43,374	43,374	173,494
Franchise taxes	20,354	-	-	-	20,354
Solid waste collections, net	835	-	-	-	835
Other	24,625	-	-	-	24,625
Due to / Due from other funds	39,659	2,053	(20,856)	(20,856)	-
Prepaid expenses	19,899	-	-	-	19,899
Total Assets	$ 2,360,887	$ 563,810	$ 380,919	$ 342,639	$ 3,648,255
Liabilities:					
Accounts payable	$ 143,736	$ 839	$ -	$ 245	$ 144,820
Accrued payroll	46,596	-	-	-	46,596
Other accrued liabilities	941,789	-	-	-	941,789
Unearned revenue	9,282	-	-	-	9,282
Customer deposits	42,571	-	-	-	42,571
Total Liabilities	1,183,974	839	-	245	1,185,058
Deferred inflows of resources:					
Unavailable revenue	15,419	-	-	-	15,419
Fund balances:					
Non-spendable	19,899	-	-	-	19,899
Restricted					
Debt Service	29,254	-	-	-	29,254
CIP Funds	-	562,971	-	-	562,971
PEG Funds	11,676	-	-	-	11,676
Court	41,573	-	-	-	41,573
National Night Out	4,178	-	-	-	4,178
Economic Development	-	-	380,919	-	380,919
Community Development	-	-	-	342,394	342,394
Committed					
Burnco	64,313	-	-	-	64,313
Unassigned	990,601	-	-	-	990,601
Total Fund Balances	1,161,494	562,971	380,919	342,394	2,447,778
Total Liabilities and Fund Balances	$ 2,360,887	$ 563,810	$ 380,919	$ 342,639	$ 3,648,255

The accompanying notes are an integral part of this statement.

EXHIBIT A-4

CITY OF KRUGERVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet (Exhibit A-3)		$ 2,447,778
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	$ 5,555,119	
Less accumulated depreciation	(1,588,126)	3,966,993
Property taxes and municipal court receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		15,419
The City's proportionate share of net pension asset as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Net pension liability	(61,138)	
Deferred outflows of resources from pensions	123,219	
Deferred inflows of resources from pensions	(28,329)	33,752
The City's total OPEB liability as well as OPEB-related deferred outflows of resources are recognized in the government-wide statements and include:		
Total OPEB liability	(17,065)	
Deferred outflows of resources from OPEB	1,353	
Deferred outflows of resources from OPEB	(8,015)	(23,727)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. The long-term liability at year-end consisted of:		
Notes and bonds payable	(2,737,880)	
Accrued interest	(23,915)	
Accrued compensated absences	(26,763)	(2,788,558)
Net position of governmental activities - statement of net position		$ 3,651,657

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

CITY OF KRUGERVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	CIP Fund	Economic Development	Community Development	Total
Revenues:					
Property taxes	$ 1,172,050	$ -	$ -	$ -	$ 1,172,050
Sales and beverage taxes	398,779	-	197,291	197,291	793,361
Franchise fees	91,068	-	-	-	91,068
Permits and fees	166,946	-	-	-	166,946
Court fines and fees	141,434	-	-	-	141,434
Solid waste collections fees, net	35,668	-	-	-	35,668
Donations	8,900	-	-	9,270	18,170
Developer contributions	188,897	-	-	-	188,897
Miscellaneous revenues	756,099	-	-	84,537	840,636
Interest income	69,606	27,241	18,962	7,003	122,812
Total revenues	3,029,447	27,241	216,253	298,101	3,571,042
Expenditures:					
Current:					
General government	349,200	-	207,184	2,323	558,707
Culture and recreation	-	-	-	157,919	157,919
Municipal court	83,851	-	-	-	83,851
Public safety	845,992	-	-	-	845,992
Public services	209,114	-	-	-	209,114
Public Works	704,804	6,045	-	-	710,849
Debt service:					
Principal payments	158,210	-	35,278	26,100	219,588
Interest payments	51,472	-	932	23,050	75,454
Debt issuance costs	-	-	-	-	-
Capital outlay	225,309	109,273	65,530	-	400,112
Total expenditures	2,627,952	115,318	308,924	209,392	3,261,586
Excess (deficiency) of revenues over (under) expenditures	401,495	(88,077)	(92,671)	88,709	309,456
Other financing sources:					
Long-term lease proceeds	199,124	-	-	-	199,124
Transfer for Administration	28,107	-	(21,407)	(6,700)	-
Transfer to EDC for Developer Funds	(80,000)	-	-	80,000	-
Transfer to CDC for Park Maintenance	24,500	-	-	(24,500)	-
Transfer from EDC For Debt Service	-	-	(24,575)	24,575	-
Total other financing sources	171,731	-	(45,982)	73,375	199,124
Excess (deficiency) of revenues and other financing sources over (under) expenditures	573,226	(88,077)	(138,653)	162,084	508,580
Fund balance, beginning	588,268	651,048	519,572	180,310	1,939,198
Fund balance, ending	$ 1,161,494	$ 562,971	$ 380,919	$ 342,394	$ 2,447,778

The accompanying notes are an integral part of this statement.

EXHIBIT A-6

CITY OF KRUGERVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds (Exhibit A-5)		$ 508,580
Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	$ 400,112	
Depreciation expense during the year	(246,950)	153,162
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:		
Issuance of long-term lease	(199,124)	
Repayment of long-term leases	35,278	
Repayment of long-term debt	184,310	20,464
Because property taxes will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues increased this year by:		2,112
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:		
Compensated absences	(9,435)	
Accrued interest on long-term debt	(1,931)	(11,366)
Changes in the proportionate share of net pension liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the		911
Changes in the total OPEB liability and related deferred outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these		(896)
Change in net position of governmental activities - statement of activities		$ 672,967

The accompanying notes are an integral part of this statement.

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.

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.

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 and proprietary fund financial statements: These financial statements 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: These 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.

5. New Accounting Principles: The City has adopted all current GASB pronouncements that are applicable to its operations and activities.

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

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, 2023, was $26,763.

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 changes in pension plan assumptions. The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows 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. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred outflows of resources related to differences in expected and actual pension investment earnings. Deferred outflows related to differences in expected and actual pension investment earnings will be amortized to expense over a five-year period.

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 statements include (1) a deferred inflow of resources related to differences between the expected and actual pension earnings and (2) deferred inflows of resources related to differences between the pension plans' projected and actual pension experience. The deferred inflows related to differences in expected and actual earnings will be amortized to pension expense over a five-year period. The deferred inflows related to differences between projected 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.

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.

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.

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, 2023, the police department had expenditures that exceeded appropriations by $2,320.

NOTE 2: DEPOSITS

At September 30, 2023, the City's cash and cash equivalents were made up of the following:

Petty cash accounts	$	300
Held at a local bank		577,237
Held at TexStar		1,492,807
Held at Texas Class		1,323,285
	$	3,393,629

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

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, 2023, the City's local bank balances (per bank) totaled $602,864 of which $750,000 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, 2023. Securities pledged by the City's depository institution at September 30, 2023, are as follows:

SECURITY	PAR	FMV
FNMA maturing 6/1/2045	$ 257,150	$ 228,492
FNMA maturing 11/1/2045	219,153	199,242
FNMA maturing 12/1/2039	77,239	70,148
FNMA maturing 12/1/2039	77,239	70,148
Aldine TX ISD Bond	1,477,463	1,422,414
	$ 2,108,244	$ 1,990,444

(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.

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

	Beginning	Increases	Transfers & Decreases	Ending
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,392,719	$ -	$ -	$ 1,392,719
Construction in progress	878,854	109,273	(931,940)	56,187
Total capital assets not being depreciated	2,271,573	109,273	(931,940)	1,448,906
Capital assets being depreciated:				
Building and improvements	475,536	-	-	475,536
Equipment	78,539	-	-	78,539
Vehicles	21,584	26,185	-	47,769
Parks	915,190	-	-	915,190
Police equipment	423,881	65,530	(51,905)	437,506
Infrastructure - streets	1,020,609	-	931,940	1,952,549
Right-to-use building lease	60,800	199,124	(60,800)	199,124
Total capital assets being depreciated	2,996,139	290,839	819,235	4,106,213
Less: accumulated depreciation				
Building & Improvements	134,779	25,491	-	160,270
Equipment	69,409	7,817	-	77,226
Vehicles	21,584	873	-	22,457
Parks	271,156	46,894	-	318,050
Police Equipment	178,038	61,059	(51,905)	187,192
Infrastructure-Streets	742,435	67,221	-	809,656
Right-to-use building lease	36,480	37,595	(60,800)	13,275
Total accumulated depreciation	1,453,881	246,950	(112,705)	1,588,126
Capital assets being depreciated, net	1,542,258	43,889	931,940	2,518,087
Total capital assets, net	$ 3,813,831	$ 153,162	$ -	$ 3,966,993

Depreciation expense was charged to governmental activities as follows:

General Government	$ 16,040
Culture and Recreation	73,175
Public Safety	110,841
Public Works	46,894
Total depreciation expense	$ 246,950

NOTE 5: LONG-TERM DEBT

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

	Beginning	Additions	Payments	Ending	Current Portion
Governmental activities:					
Series 2008, Certificates of Obligation	$ 10,210	$ -	$ (10,210)	$ -	$ -
Series 2018, Certificates of Obligation	776,000	-	(60,000)	716,000	62,000
Series 2021, Certificates of Obligation	1,413,000	-	(88,000)	1,325,000	90,000
2017 Tax Notes (CDC)	534,814	-	(26,100)	508,714	27,225
Building lease	24,320	199,124	(35,278)	188,166	33,987
Total long-term debt	$2,758,344	$199,124	$ (219,588)	$2,737,880	$213,212

Certificates of Obligation:

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 bond was paid in full in April 2023.

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 February 2021, the City issued Certificates of Obligation in the amount of $1,500,000 for the purpose of (1) purchasing real property, (2) construction of a city building, (3) city park projects, and (4) roads, drainage, and infrastructure improvements. The certificates have annual maturity dates ranging from May 2022 to May 2036, bear interest at 1.94% 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 May 2028.

Future debt maturities are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 152,000	$ 48,187	$ 200,187
2025	156,000	44,495	200,495
2026	160,000	40,700	200,700
2027	163,000	36,804	199,804
2028	168,000	32,826	200,826
2029-2033	906,000	100,390	1,006,390
2034-2038	336,000	13,114	349,114
Totals	$2,041,000	$316,516	$2,357,516

Tax Notes:

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.

Future debt maturities are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 27,225	$ 21,925	$ 49,150
2025	28,398	20,752	49,150
2026	29,622	19,528	49,150
2027	30,899	18,251	49,150
2028	32,230	16,920	49,150
2029-2033	183,227	62,525	245,752
2034-2038	177,113	19,487	196,600
Totals	$ 508,714	$179,388	$ 688,102

Building Lease:

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, the City has adopted the new lease accounting standard for its financial statements as of September 30, 2022. GASB Statement No. 87 establishes a single model for lease accounting and aims to improve the comparability and usefulness of financial statements by enhancing the transparency of lease-related obligations and the costs associated with them.

Under GASB Statement No. 87, lessees are required to recognize a lease liability and a corresponding right-of-use (ROU) asset for all leases with a term greater than 12 months, regardless of whether they are classified as operating or finance leases. The lease liability represents the present value of the lease payments, discounted using the lessee's incremental borrowing rate or the interest rate implicit in the lease. The ROU asset represents the lessee's right to use the leased asset over the lease term and is initially measured at the amount of the lease liability, adjusted for any lease incentives, initial direct costs, and prepayments.

In June 2021, The City (lessee) entered into a lease agreement with Makolt Properties, LLC. (lessor), for the rental of building office space. The term of the lease is 24 months, and the first payment was made in July 2021. In January 2023, the building lease was amended to reflect a new landlord, LTC Holdings, LLC (see Note 9 for additional information regarding related parties). In June 2023, the lease was extended through May 31, 2028. This agreement qualifies as a lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date in accordance with GASB Statement No. 87.

Future lease payments are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 33,987	$ 8,636	$ 42,623
2025	36,443	6,893	43,336
2026	40,525	4,978	45,503
2027	44,923	2,853	47,776
2028	32,288	608	32,896
Totals	$ 188,166	$ 23,968	$ 212,134

NOTE 6: RETIREMENT PLAN

A. Plan Description

The City of Krugerville participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-

member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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 member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member contributions and interest.

The City has adopted the following plan provisions:

	2021	2022
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, 2022, 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	7
Active employees	11
	21

C. Contributions

Member contribution rates for employees in TMRS are either 5%, 6% or 7% of the member's total compensation, and the City matching percentages are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1), or 2:1 (2 to 1), 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees of the City of Krugerville were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 7.45% and 8.00% for the calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023, were $60,589 and were equal to the required contributions.

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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.

The 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.

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 Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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 member 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.

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2021	$ 1,004,651	$ 1,083,174	$ (78,523)
Service Cost	107,738	-	107,738
Interest	70,997	-	70,997
Differences between expected and actual results	(5,617)	-	(5,617)
Changes in Assumptions	-	-	-
Contributions - employer	-	60,244	(60,244)
Contributions - employee	-	52,713	(52,713)
Net investment income	-	(79,632)	79,632
Benefit Payments, including refunds of employee contributions	(13,417)	(13,417)	-
Administrative expense	-	(684)	684
Other	-	816	(816)
Net Changes	159,701	20,040	139,661
Balance at December 31, 2022	$ 1,164,352	$ 1,103,214	$ 61,138

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	$ 235,259	$ 61,138	$ (82,177)

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.tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of $59,645.

At September 30, 2023, 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	$ -	$ 28,329	$ (28,329)
Difference in Assumptions	543	-	543
Differences between expected and actual economic experience	76,861	-	76,861
To be recognized in the future	77,404	28,329	$ 49,075
Contributions subsequent to the measurement date	45,815	-	
Total	$ 123,219	$ 28,329	

The $45,815 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, 2023. 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,	
2023	$ (3,133)
2024	11,742
2025	10,793
2026	29,673
2027	-
Thereafter	-
	$ 49,075

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 OPED 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, 2022, 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	1
Active employees	11
	15

B: Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2022, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate	4.05%
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, 2022.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

Changes in Total OPEB Liability:

Balance at December 31, 2021	$	24,453
Changes for the year		
Service Cost		2,311
Interest on Total OPEB Liability		470
Differences between expected and actual results		124
Changes in assumptions or other inputs		(10,144)
Benefit Payments *		(149)
Net Changes		(7,388)
Balance at December 31, 2022	$	17,065

* 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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease (3.05%)	Current (4.05%)	1% Increase (5.05%)
Total OPEB Liability	$ 20,934	$ 17,065	$ 13,972

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

For the year ended September 30, 2023, the City recognized OPEB expense of $1,715.

At September 30, 2023, 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	$ -	$ 3,612	$ (3,612)
Differences between expected and actual economic experience	-	-	-
Differences in assumptions	-	4,403	(4,403)
To be recognized in the future	-	8,015	$ (8,015)
Contributions subsequent to the measurement date	1,353	-	
Total	$ 1,353	$ 8,015	

The $1,353 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	
2023	$ (1,066)
2024	(1,097)
2025	(1,220)
2026	(1,115)
2027	(1,498)
Thereafter	(2,019)
	$ (8,015)

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.

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 ran through September 30, 2021, and at that time the NEPD was dissolved, and its assets are in the process of being liquidated between the two entities.

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 ran through September 30, 2021, and at that time the NEMC was dissolved, and its assets are in the process of being liquidated between the two entities.

NOTE 10: RELATED PARTY TRANSACTIONS

The City entered into a lease agreement in June 2021, with Makolt Properties, LLC. (lessor), for the rental of building office space. In January 2023, the building changed ownership and the lease was amended to reflect a new landlord, LTC Holdings, LLC, which is wholly owned by the Mayor of the City of Krugerville. The details of the agreement can be found in Note 5: Debt, under the "Building Lease" header.

NOTE 11: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2023, through the date the financial statement were available to be issued.

In May of 2024, the City purchased the building that was leased for the Police Department. The lease agreement was terminated at the date of the sale.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

EXHIBIT B-1

CITY OF KRUGERVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Property taxes	$ 1,175,452	$ 1,202,800	$ 1,172,050	$ (30,750)
Sales and beverage taxes	300,000	1,328,000	398,779	(929,221)
Franchise fees	87,400	95,487	91,068	(4,419)
Total taxes	1,562,852	2,626,287	1,661,897	(964,390)
Licenses and permits				
Permits and fees	184,342	127,527	164,321	36,794
Registration fees	4,000	2,475	2,625	150
Total licenses and permits	188,342	130,002	166,946	36,944
Court fines and fees				
Court receipts	103,470	103,470	141,434	37,964
Charges for services				
Solid Waste Collection Fees (Net)	33,000	39,683	35,668	(4,015)
Interest income	10,000	85,000	69,606	(15,394)
Other revenues				
Coronavirus Relief Funds	-	460,276	460,276	-
Other Revenues	606,300	1,251,369	289,029	(962,340)
Street Maintenance- Burnco	13,230	15,693	15,694	1
Developer contributions	-	80,000	188,897	108,897
Long-term lease proceeds	-	-	199,124	199,124
Transfer from EDC for Administration	26,700	21,408	21,407	(1)
Transfer from CDC for Administration	6,700	6,700	6,700	-
Transfer from CDC for Park Maintenance	24,500	24,500	24,500	-
Total other revenues	677,430	1,859,946	1,205,627	(654,319)
TOTAL REVENUES	2,575,094	4,844,388	3,281,178	(1,563,210)

EXHIBIT B-1

CITY OF KRUGERVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
Administration				
Personnel				
Salaries & Wages	223,821	216,955	163,305	53,650
Payroll taxes and employee benefits	56,849	58,149	55,677	2,472
Total personnel	280,670	275,104	218,982	56,122
Professional fees				
Appraisal and tax collection fees	6,500	7,880	7,772	108
Accounting and audit fees	26,800	28,500	17,673	10,827
Codification services	3,000	3,000	1,640	1,360
IT support	18,000	25,900	25,017	883
Legal fees	5,000	5,000	5,244	(244)
Total Professional Fees	59,300	70,280	57,346	12,934
Supplies and contract services				
Copier and postage rental	5,000	5,000	4,834	166
Insurance	8,463	7,133	7,134	(1)
Bank fees	-	-	-	-
Supplies, postage and printing	11,650	14,386	10,888	3,498
Dues and subscriptions	5,530	5,530	5,533	(3)
Public notices and advertising	2,400	3,400	3,339	61
2016 380 Obligations	-	337,000	-	337,000
Total supply and contract services	33,043	372,449	31,728	340,721
Maintenance & Repairs	2,000	1,500	3,275	(1,775)
Telephone, Internet, Street Lights & Utilitie	27,205	30,105	24,998	5,107
Tax grants	1,500	1,500	12,871	(11,371)
Total administration	403,718	750,938	349,200	401,738
Municipal Court				
Judge	15,000	15,000	12,000	3,000
Prosecutor	15,000	15,000	15,000	-
Court Personnel	41,600	69,600	47,127	22,473
Interpreter	1,000	1,000	450	550
Training	950	1,800	1,722	78
Contract Labor	2,000	2,000	286	1,714
Other	6,920	10,880	7,266	3,614
Total municipal court	82,470	115,280	83,851	31,429

EXHIBIT B-1

CITY OF KRUGERVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Police				
Personnel				
Salaries & Wages	541,742	549,419	558,992	(9,573)
Payroll taxes and employee benefits	177,375	178,561	179,954	(1,393)
Total personnel	719,117	727,980	738,946	(10,966)
Phones, internet, and electricity	11,600	11,600	11,457	143
Dispatch fees	20,000	14,708	14,708	-
Vehicle expenses	26,000	26,000	22,545	3,455
Supplies and equipment	7,850	6,573	3,816	2,757
Maintenance and repairs	10,000	14,000	12,584	1,416
Other	34,902	42,811	41,936	875
Total police	829,469	843,672	845,992	(2,320)
Public services				
Animal Control	16,078	16,078	16,078	-
Park Maintenance	-	15,384	15,384	-
Code Enforcement	18,000	18,000	18,000	-
Fire and Ambulance Service	160,125	159,652	159,652	-
Total public services	194,203	209,114	209,114	-
Public works				
Wages	-	-	46,148	(46,148)
Uniforms	-	-	52	(52)
Inspection Services	89,800	42,235	123,929	(81,694)
Drainage Maintenance	36,000	36,000	36,000	-
Street & Equipment Maintenance	721,210	1,192,544	496,937	695,607
Other	9,500	38,000	1,738	36,262
Total public works	856,510	1,308,779	704,804	603,975
Capital outlay				
Public Works	-	-	225,309	(225,309)
Total capital outlay	-	-	225,309	(225,309)
Debt service	208,724	208,461	209,682	(1,221)
Transfers	-	767,939	80,000	687,939
TOTAL EXPENDITURES	2,575,094	4,204,183	2,707,952	1,496,231
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ 640,205	573,226	$ (66,979)
Fund Balance-Beginning of Year			588,268	
Fund Balance-End of Year			$ 1,161,494	

Budget and Budgetary Accounting

The City Council adopts an annual budget for the general fund. The general fund budget is legally adopted on a modified accrual basis.

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

Budget Amendments

The budget was amended during the year ended September 30, 2023.

CITY OF KRUGERVILLE, TEXAS **EXHIBIT B-2**

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2022

Plan Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
TOTAL PENSION LIABILITY									
Service Cost	$ 54,421	$ 89,263	$ 96,371	$ 89,738	$ 95,784	$ 98,555	$ 100,695	$ 106,209	$ 107,738
Interest (on the Total Pension Liability)	8,495	15,470	22,220	28,742	37,014	43,805	52,033	62,978	70,997
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	29,118	2,814	(5,238)	9,429	(25,951)	(11,800)	18,503	(40,634)	(5,617)
Change of assumptions	-	10,023	-	-	-	2,107	-	-	-
Benefit payments, including refunds of employee contributions	(11,408)	(8,205)	(17,679)	(9,154)	(7,618)	(7,618)	(16,061)	(7,618)	(13,417)
NET CHANGE IN TOTAL PENSION LIABILITY	80,626	109,365	95,674	118,755	99,229	125,049	155,170	120,935	159,701
TOTAL PENSION LIABILITY - BEGINNING	99,848	180,474	289,839	385,513	504,268	603,497	728,546	883,716	1,004,651
TOTAL PENSION LIABILITY - ENDING (a)	$ 180,474	$ 289,839	$ 385,513	$ 504,268	$ 603,497	$ 728,546	$ 883,716	$ 1,004,651	$ 1,164,352
PLAN FIDUCIARY NET POSITION									
Contributions - Employer	$ 13,239	$ 48,918	$ 48,696	$ 53,198	$ 55,021	$ 57,750	$ 57,014	$ 56,880	$ 60,244
Contributions - Employee	37,422	44,127	44,675	42,559	45,580	46,899	48,847	51,451	52,713
Net investment income	6,288	229	16,288	46,169	(13,982)	84,498	55,309	113,987	(79,632)
Benefit payments, including refunds of employee contributions	(11,408)	(8,205)	(17,679)	(9,154)	(7,618)	(7,618)	(16,061)	(7,618)	(13,417)
Administrative expense	(66)	(140)	(183)	(238)	(269)	(475)	(356)	(524)	(684)
Other	(5)	(6)	(10)	(12)	(14)	(13)	(12)	3	816
NET CHANGE IN PLAN FIDUCIARY NET POSITION	45,470	84,923	91,787	132,522	78,718	181,041	144,741	214,179	20,040
PLAN NET FIDUCIARY POSITION - BEGINNING	109,793	155,263	240,186	331,973	464,495	543,213	724,254	868,995	1,083,174
PLAN NET FIDUCIARY POSITION - ENDING (b)	$ 155,263	$ 240,186	$ 331,973	$ 464,495	$ 543,213	$ 724,254	$ 868,995	$ 1,083,174	$ 1,103,214
NET PENSION LIABILITY (a) - (b)	$ 25,211	$ 49,653	$ 53,540	$ 39,773	$ 60,284	$ 4,292	$ 14,721	$ (78,523)	$ 61,138
CITY OF KRUGERVILLE PROPORTIONATE SHARE OF NET PENSION LIABILITY									
Proportionate Percentage *	10.75%	11.85%	17.99%	24.34%	23.90%	56.15%	100.00%	100.00%	100.00%
Proportionate Share **	2,709	5,882	9,632	9,680	14,409	2,410	14,721	(78,523)	61,138
* based upon actual contributions made by each contributing entity.									
** other contributing entities dissolved September 30, 2021 and their share of the net pension liability was transferred to the City									
Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.03%	82.87%	86.11%	92.11%	90.01%	99.41%	98.33%	107.82%	94.75%
Covered employee payroll	534,604	630,389	638,220	607,981	651,146	669,984	697,820	735,010	745,591
Net Pension Liability as a percentage of covered payroll	4.72%	7.88%	8.39%	6.54%	9.26%	0.64%	2.11%	-10.68%	8.20%

CITY OF KRUGERVILLE, TEXAS **EXHIBIT B-3**

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS
SEPTEMBER 30, 2023

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	$ 4,042	$ 6,102	$ 9,219	$ 11,620	$ 12,345	$ 12,162	$ 12,866	$ 61,677	$ 60,589
Contributions in relation to the actuarially determined contribution	4,042	6,102	9,219	11,620	12,345	12,162	12,866	61,677	60,589
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	51,291	81,835	113,908	134,484	142,088	146,148	163,799	735,010	745,591
Contributions as a percentage of covered payroll	7.88%	7.46%	8.09%	8.64%	8.69%	8.32%	7.85%	8.39%	8.13%

S 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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5%, 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, TEXAS **EXHIBIT B-4**

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2022

Plan Year	2017	2018	2019	2020	2021	2022
TOTAL OPEB LIABILITY						
Total OPEB Liability Beginning of Year	$ 11,598	$ 14,905	$ 14,995	$ 19,241	$ 23,642	$ 24,453
Changes for the year						
Service Cost	1,338	1,628	1,340	1,675	2,426	2,311
Interest on Total OPEB Liability	464	520	580	551	496	470
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(612)	(1,352)	(1,440)	(2,796)	124
Change of assumptions or other inputs	1,505	(1,446)	3,745	3,685	832	(10,144)
Benefit payments	-	-	(67)	(70)	(147)	(149)
NET CHANGE IN OPEB LIABILITY	3,307	90	4,246	4,401	811	(7,388)
TOTAL OPEB LIABILITY - END OF YEAR	$ 14,905	$ 14,995	$ 19,241	$ 23,642	$ 24,453	$ 17,065
CITY OF KRUGERVILLE PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY						
Proportionate Percentage *	20.93%	20.93%	21.12%	100.00%	100.00%	100.00%
Proportionate Share **	$ 3,120	$ 3,139	$ 4,063	$ 23,642	$ 24,453	$ 17,065
Covered employee payroll	$ 607,981	$ 651,146	$ 669,984	$ 697,820	$ 735,010	$ 745,591
OPEB Liability as a percentage of covered payroll	2.45%	2.30%	2.87%	3.39%	3.33%	2.29%

* based upon actual contributions made by each contributing entity.

** other contributing entities dissolved September 30, 2021 and their share of the net pension liability was transferred to the City.

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

Internal Control and Compliance

MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

City Council
City of Krugerville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Krugerville, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Krugerville, Texas' basic financial statements and have issued our report thereon dated September 11, 2024

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

September 11, 2024

CITY OF KRUGERVILLE, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	____ Yes	__X__ No
Significant deficiency identified that is not considered to be material weaknesses?	____ Yes	__X__ No
Noncompliance material to financial statements noted?	____ Yes	__X__ No

B. Financial Statement Findings

None reported.