

FY19-20

CITY OF SPUR, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Introductory Section

City of Spur, Texas
Annual Financial Report
For The Year Ended September 30, 2020

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Financial Section

Robison Johnston & Patton, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S
A P A R T N E R S H I P I N C L U D I N G P R O F E S S I O N A L C O R P O R A T I O N S

Independent Auditors' Report

To the City Council
City of Spur, Texas
402 N. Burlington
Spur, Texas 79370

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spur, Texas ("the City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Spur, Texas as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions, and schedule of the City's proportionate share of the net OPEB liability and schedule of City OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spur, Texas' basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2021 on our consideration of City of Spur, 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Spur, Texas' internal control over financial reporting and compliance.

Robison Johnston & Patten LLP

Lubbock, TX
August 12, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Spur's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

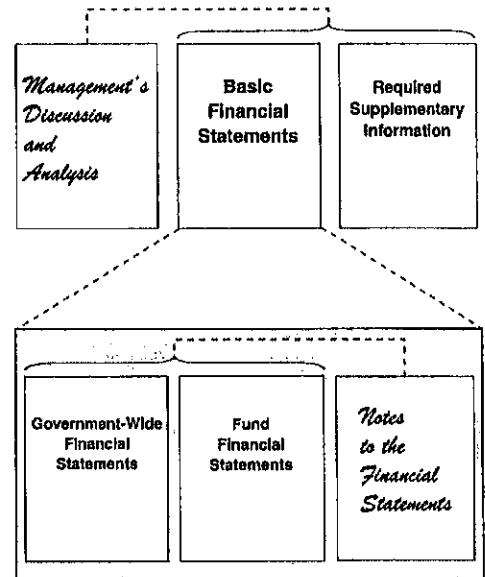
- The City's total combined net position was \$3,478,489 at September 30, 2020.
- During the year, the City's expenses were \$19,948 less than the \$775,798 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$151,936.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates like *businesses*.

Figure A-1, Required Components of the City's Annual Financial Report



Summary ↔ Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses; self insurance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, sanitation, health and welfare, and culture and recreation. Property taxes and sales taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law or, in certain instances, by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

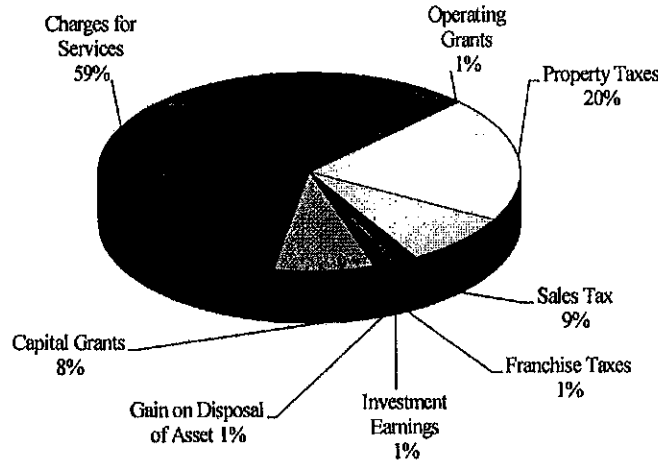
Net position. The City's combined net position was \$3,454,248 at September 30, 2020.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Current assets:							
Cash and Cash Equiv.	\$6,261	\$42,403	\$630,336	\$645,495	\$636,597	\$687,898	7.46%
Receivables:							
Accounts	11,415	21,714	43,363	37,339	54,778	59,053	7.22%
Taxes	52,258	50,526	0	0	52,258	50,526	3.43%
Other	0	1,284	5,915	0	5,915	1,284	360.67%
Other Assets	100	100	100	100	200	200	0%
Restricted Assets:							
Cash and Cash Equiv.	174,933	162,810	100,008	59,660	274,941	222,470	23.59%
Total current assets:	244,967	278,837	779,722	742,594	1,024,689	1,021,431	
Noncurrent assets:							
Land	61,425	61,426	7,347	7,347	68,772	68,773	0%
Construction in Progress	87,346	0	33,955	0	121,301	0	100%
Buildings	2,099,654	2,085,794	31,035	31,035	2,130,689	2,116,829	.65%
Autos and Trucks	576,324	544,324	49,432	49,432	625,756	593,756	5.39%
Furniture and Fixtures	78,889	78,889	7,064	7,064	85,953	85,953	0%
Machinery and Equipment	1,034,404	996,247	207,070	161,878	1,241,474	1,158,125	7.20%
Plant and Improvements	0	0	3,860,929	3,838,333	3,860,929	3,838,333	.59%
Infrastructure	978,861	978,861	0	0	978,861	978,861	0%
Library Assets	157,255	157,255	0	0	157,255	157,255	0%
Golf Course and Equipment	102,770	102,770	0	0	102,770	102,770	0%
Less: Accum. Depreciation	(3,525,878)	(3,433,658)	(2,747,021)	(2,649,337)	(6,272,899)	(6,082,995)	3.12%
Net Pension Asset	0	0	4,156	0	4,156	0	
Total noncurrent assets	1,651,050	1,571,908	1,453,967	1,445,752	3,105,017	3,017,660	
Total Assets	1,896,017	1,850,745	2,233,689	2,188,346	4,129,706	4,039,091	
Deferred Outflows of Resources:							
Deferred Outflows Related To OPEB	3,021	391	2,388	330	5,409	721	650.21%
Deferred Outflows Related To Pensions	6,764	27,671	9,872	33,537	16,636	61,208	72.82%
Total Deferred Outflows Of Resources	9,785	28,062	12,260	33,867	22,045	61,929	
Current liabilities:							
Accounts payable	34,513	22,092	32,968	51,271	67,481	73,363	8.02%
Interest payable	0	0	1,265	1,317	1,265	1,317	3.95%
Unearned revenue	3,343	13,278	0	0	3,343	13,278	74.82%
Customer deposits	0	0	71,249	68,265	71,249	68,265	4.37%
Total current liabilities	37,856	35,370	105,482	120,853	143,338	156,223	
Noncurrent liabilities:							
Due within one year	2,115	0	21,342	14,000	23,457	14,000	67.55%
Due in more than one year	19,117	0	383,351	341,000	402,468	341,000	18.03%
Net OPEB liability	18,888	13,995	16,100	12,095	34,988	26,090	34.10%
Net pension liability	25,353	65,052	15,820	44,144	41,173	109,196	62.29%
Total Liabilities	103,329	114,417	542,095	532,092	645,424	646,509	
Deferred Inflows of Resources:							
Deferred Inflows Related To OPEB	0	126	0	137	0	263	100%
Deferred Inflows Related To Pensions	18,261	0	9,577	0	27,838	0	100%
Total Deferred Inflows Of Resources	18,261	126	9,577	137	27,838	263	
Net Position:							
Net Invest in capital assets	1,629,818	1,571,908	1,045,118	1,090,752	2,674,936	2,662,660	.46%
Restricted for debt service	0	0	60,008	59,660	60,008	59,660	.58%
Restricted for other purpose	174,933	162,810	40,000	0	214,933	162,810	86.53%
Unrestricted	(20,539)	29,546	549,151	539,571	528,612	569,118	7.12%
Total Net Position	\$1,784,212	\$1,764,264	\$1,694,277	\$1,689,984	\$3,478,489	\$3,454,248	

Changes in net position. The City's total revenues were \$1,506,020. A significant portion, 59 percent, of the City's revenue comes from charges for services. (See Figure A-3.) 20 percent comes from property taxes, 9 percent comes from sales taxes, 8 percent from capital grants, 1 percent from operating grants, 1 percent comes from investment earnings, 1 percent comes from franchise taxes, and 1 percent comes from gain on disposal of assets.

The total cost of all programs and services was \$1,481,779; 37.73 percent of these costs are for the Water and Sewer Fund services.

Figure A-3 City Sources of Revenue for Fiscal Year 2020



Changes in City's Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Revenues:							
Charges for services	\$200,405	\$204,633	\$691,481	\$687,242	\$891,886	\$891,875	0%
Operating grants	9,935	6,087	0	0	9,935	6,087	63.22%
Capital grants	83,063	0	33,955	0	117,018	0	100%
Property taxes	307,358	286,426	0	0	307,358	286,426	7.30%
Sales taxes	128,636	104,269	0	0	128,636	104,269	23.37%
Franchise taxes	22,240	21,352	0	0	22,240	21,352	4.16%
Investment earnings	3,913	3,393	4,786	4,803	8,699	8,196	6.14%
Gain on disposal of assets	20,248	13,435	0	25,964	20,248	39,399	48.61%
Total Revenues	775,798	639,595	730,222	718,009	1,506,020	1,357,604	
Expenses:							
General government	183,692	178,132	0	0	183,692	178,132	3.12%
Public Safety	211,291	165,860	0	0	211,291	165,860	27.39%
Highways and streets	68,072	110,726	0	0	68,072	110,726	38.52%
Health and Sanitation	117,424	115,780	0	0	117,424	115,780	1.42%
Culture and recreation	156,079	128,803	0	0	156,079	128,803	21.18%
Code Compliance	12,944	6,801	0	0	12,944	6,801	90.33%
Interest on Debt	563	32	0	0	563	32	1659.38%
Water and Sewer	0	0	559,119	508,877	559,119	508,877	9.87%
Gas Utility	0	0	172,595	152,121	172,595	152,121	13.46%
Total Expenses	750,065	706,134	731,714	660,998	1,481,779	1,367,132	
Increase (Decrease) in Net Position before transfers	25,733	(66,539)	(1,492)	57,011	24,241	(9,528)	354.42%
Transfers	(5,785)	(4,775)	5,785	4,775	0	0	
Increase/(Decrease) in Net Position	19,948	(71,314)	4,293	61,786	24,241	(9,528)	354.42%

The financial statement above presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$750,065.
- The amount that our taxpayers paid for these activities through property taxes, sales taxes, and franchise taxes totaled \$458,234.
- Some of the cost was paid by those who directly benefited from the programs \$200,405.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had invested \$3,100,861 in a broad range of capital assets, including land, equipment, buildings, fire department, vehicles, police department, water system improvements, and sewer lines & disposal plants.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Land	\$61,425	\$61,426	\$7,347	\$7,347	\$68,772	\$68,773	0%
Construction in Progress	87,346	0	33,955	0	121,301	0	100%
Buildings	2,099,654	2,085,794	31,035	31,035	2,130,689	2,116,829	.65%
Autos and Trucks	576,324	544,324	49,432	49,432	625,756	593,756	5.39%
Furniture and Fixtures	78,889	78,889	7,064	7,064	85,953	85,953	0%
Machinery and Equipment	1,034,404	996,247	207,070	161,878	1,241,474	1,158,125	7.20%
Plant and Improvements	0	0	3,860,929	3,838,333	3,860,929	3,838,333	.59%
Infrastructure	978,861	978,861	0	0	978,861	978,861	0%
Library Assets	157,255	157,255	0	0	157,255	157,255	0%
Golf Course and Equipment	102,770	102,770	0	0	102,770	102,770	0%
Totals at historical cost	5,176,928	5,005,566	4,196,832	4,095,089	9,373,760	9,100,655	
Total acc. depreciation	<u>(3,525,878)</u>	<u>(3,433,658)</u>	<u>(2,747,021)</u>	<u>(2,649,337)</u>	<u>(6,272,899)</u>	<u>(6,082,995)</u>	3.12%
Net capital assets	<u>\$1,651,050</u>	<u>\$1,571,908</u>	<u>\$1,449,811</u>	<u>\$1,445,752</u>	<u>\$3,100,861</u>	<u>\$3,017,660</u>	

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$497,930 in notes and other long term obligations as shown below. More detailed information about the City's debt is presented in the notes to the financial statements.

City's Long Term Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Revenue Bonds	\$0	\$0	\$341,000	\$355,000	\$341,000	\$355,000	3.94%
Capital Leases	21,232	0	63,693	0	84,925	0	100%
Net OPEB Liability	18,888	13,995	16,100	12,095	34,988	26,090	34.10%
Net Pension Liability	25,353	65,052	11,664	44,144	37,017	109,196	66.10%
Total bonds & notes payable	<u>\$65,473</u>	<u>\$79,047</u>	<u>\$432,457</u>	<u>\$411,239</u>	<u>\$497,930</u>	<u>\$490,286</u>	

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Office.

Basic Financial Statements

CITY OF SPUR, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS:			
<i>Cash and Cash Equivalents</i>	\$ 6,261	\$ 630,336	\$ 636,597
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Taxes</i>	52,258		52,258
<i>Accounts</i>	11,415	43,363	54,778
<i>Other</i>		5,915	5,915
<i>Other Assets</i>	100	100	200
<i>Net Pension Asset</i>		4,156	4,156
Restricted Assets:			
<i>Cash and Cash Equivalents</i>	174,933	100,008	274,941
Capital Assets (net of accumulated depreciation):			
<i>Land</i>	61,425	7,347	68,772
<i>Buildings</i>	1,269,875	16,392	1,286,267
<i>Autos and Trucks</i>	77,913	1,857	79,770
<i>Furniture and Fixtures</i>	1,077		1,077
<i>Machinery and Equipment</i>	67,196	57,641	124,837
<i>Plant and Improvements</i>		1,332,619	1,332,619
<i>Infrastructure</i>	54,122		54,122
<i>Golf Course and Equipment</i>	32,096		32,096
<i>Work In Process</i>	87,346	33,955	121,301
Total Assets	<u>1,896,017</u>	<u>2,233,689</u>	<u>4,129,706</u>
DEFERRED OUTFLOWS OF RESOURCES			
<i>Deferred Outflows Related to Pensions</i>	6,764	9,872	16,636
<i>Deferred Outflows Related to OPEB</i>	3,021	2,388	5,409
Total Deferred Outflows of Resources	<u>9,785</u>	<u>12,260</u>	<u>22,045</u>
LIABILITIES:			
<i>Accounts Payable</i>	34,513	32,968	67,481
<i>Interest Payable</i>		1,265	1,265
<i>Customer Deposits</i>		71,249	71,249
<i>Unearned Revenue</i>	3,343		3,343
Noncurrent Liabilities-			
<i>Due within one year</i>	2,115	21,342	23,457
<i>Due in more than one year</i>	19,117	383,351	402,468
<i>Net OPEB liability</i>	18,888	16,100	34,988
<i>Net pension liability</i>	25,353	15,820	41,173
Total Liabilities	<u>103,329</u>	<u>542,095</u>	<u>645,424</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Inflows Related to Pensions</i>	18,261	9,577	27,838
Total Deferred Inflows of Resources	<u>18,261</u>	<u>9,577</u>	<u>27,838</u>
NET POSITION:			
<i>Net Investment in Capital Assets</i>	1,629,818	1,045,118	2,674,936
Restricted For:			
<i>Debt Service</i>		60,008	60,008
<i>Other Purposes</i>	174,933	40,000	214,933
<i>Unrestricted</i>	(20,539)	549,151	528,612
Total Net Position	<u>\$ 1,784,212</u>	<u>\$ 1,694,277</u>	<u>\$ 3,478,489</u>

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
<i>General Government</i>	\$ 183,692	\$ 23,427	\$	\$
<i>Public Safety</i>	211,291	23,960		83,063
<i>Highways and Streets</i>	68,072	12,080		
<i>Health and Sanitation</i>	117,424	126,100		
<i>Culture and Recreation</i>	156,079	14,838	9,935	
<i>Code Compliance</i>	12,944			
<i>Interest on Long-term Debt</i>	563			
Total Governmental Activities	<u>750,065</u>	<u>200,405</u>	<u>9,935</u>	<u>83,063</u>
Business-type Activities:				
Water and Sewer	559,119	508,385		33,955
Gas Utility	172,595	183,096		
Total Business-type Activities	<u>731,714</u>	<u>691,481</u>		<u>33,955</u>
Total Primary Government	<u>\$ 1,481,779</u>	<u>\$ 891,886</u>	<u>\$ 9,935</u>	<u>\$ 117,018</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Unrestricted Investment Earnings
Gain on Sale of Capital Assets
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (160,265)		\$ (160,265)
(104,268)		(104,268)
(55,992)		(55,992)
8,676		8,676
(131,306)		(131,306)
(12,944)		(12,944)
(563)		(563)
<u>(456,662)</u>		<u>(456,662)</u>
	\$ (16,779)	(16,779)
	10,501	10,501
	<u>(6,278)</u>	<u>(6,278)</u>
<u>(456,662)</u>	<u>(6,278)</u>	<u>(462,940)</u>
307,358		307,358
128,636		128,636
22,240		22,240
3,913	4,786	8,699
20,248		20,248
(5,785)	5,785	
<u>476,610</u>	<u>10,571</u>	<u>487,181</u>
19,948	4,293	24,241
1,764,264	1,689,984	3,454,248
<u>\$ 1,784,212</u>	<u>\$ 1,694,277</u>	<u>\$ 3,478,489</u>

CITY OF SPUR, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS			
Assets:			
<i>Cash and Cash Equivalents</i>	\$	\$ 6,261	\$ 6,261
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Taxes</i>	52,258		52,258
<i>Accounts</i>	11,415		11,415
<i>Other Assets</i>	100		100
Restricted Assets:			
<i>Cash and Cash Equivalents</i>	174,933		174,933
Total Assets and Other Debits	\$ 238,706	\$ 6,261	\$ 244,967
LIABILITIES:			
<i>Accounts Payable</i>	\$ 34,513	\$	\$ 34,513
<i>Unearned Revenue</i>		3,343	3,343
Total Liabilities	34,513	3,343	37,856
DEFERRED INFLOWS OF RESOURCES:			
<i>Unavailable Revenue- Property Taxes</i>	52,257		52,257
Total Deferred Inflows of Resources	52,257		52,257
FUND BALANCES:			
Restricted Fund Balances:			
<i>Restricted for Lease Funds</i>		2,918	2,918
<i>Restricted for Special Purposes</i>	174,933		174,933
Unassigned	(22,997)		(22,997)
Total Fund Balance	151,936	2,918	154,854
Total Liabilities, Deferred Inflow of Resources and Fund Balance	\$ 238,706	\$ 6,261	\$ 244,967

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020*

Total fund balances - governmental funds balance sheet	\$ 154,854
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,651,051
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	52,257
Payables for capital leases which are not due in the current period are not reported in the funds.	(21,231)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(25,353)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(18,261)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	6,764
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(18,888)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	3,021
Rounding difference	<u>(2)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,784,212</u>

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
Taxes:			
<i>General Property Taxes</i>	\$ 305,627	\$	\$ 305,627
<i>Franchise Tax</i>	22,240		22,240
<i>Sales Tax</i>	128,636		128,636
<i>Hotel/Motel Tax</i>	12,764		12,764
<i>Court Fines</i>	7,000		7,000
<i>Use of Property</i>	5,651		5,651
<i>Fire Department Services</i>	16,800		16,800
<i>Sanitation Charges</i>	111,357		111,357
<i>Library Income</i>	3,560		3,560
<i>Library Donations</i>	8,608		8,608
<i>Grant Proceeds</i>	82,322	10,676	92,998
<i>Special Assessments</i>	31,383		31,383
<i>Proceeds from Asset Dispositions</i>	20,248		20,248
<i>Investment Earnings</i>	3,913		3,913
<i>Miscellaneous</i>	3,282		3,282
Total revenues	<u>763,391</u>	<u>10,676</u>	<u>774,067</u>
Expenditures:			
Current:			
<i>General Government</i>	<u>159,215</u>		<u>159,215</u>
<i>Public Safety</i>			
<i>Fire Department</i>	62,374		62,374
<i>Police Department</i>	128,635	599	129,234
Total Public Safety	<u>191,009</u>	<u>599</u>	<u>191,608</u>
<i>Highways and Streets</i>	<u>41,001</u>		<u>41,001</u>
<i>Health and Sanitation</i>			
<i>Health and Sanitation</i>	108,893		108,893
<i>Hospital</i>	5,011		5,011
Total Health and Welfare	<u>113,904</u>		<u>113,904</u>
<i>Culture and Recreation</i>			
<i>Parks and Recreation</i>	97,311		97,311
<i>Golf Course</i>	7,223		7,223
<i>Library</i>	22,496	9,935	32,431
Total Culture and Recreation	<u>127,030</u>	<u>9,935</u>	<u>136,965</u>
<i>Code Compliance</i>	<u>12,981</u>		<u>12,981</u>
Debt Service:			
<i>Principal</i>	1,365		1,365
<i>Interest and Fiscal Charges</i>	563		563
Capital Outlay	171,363		171,363
Total Expenditures	<u>818,431</u>	<u>10,534</u>	<u>828,965</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,040)</u>	<u>142</u>	<u>(54,898)</u>
Other Financing Sources (Uses):			
<i>Operating Transfers Out</i>	(5,785)		(5,785)
<i>Capital Leases</i>	22,596		22,596
Total Other Financing Sources (Uses)	<u>16,811</u>		<u>16,811</u>
Net Change in Fund Balances	(38,229)	142	(38,087)
Fund Balances - Beginning	190,165	2,776	192,941
Fund Balances - Ending	<u>\$ 151,936</u>	<u>\$ 2,918</u>	<u>\$ 154,854</u>

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020*

Net change in fund balances - total governmental funds	\$ (38,087)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	171,363
The depreciation of capital assets used in governmental activities is not reported in the funds.	(92,221)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,731
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	1,365
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(22,596)
Pension contributions made before the measurement date and in the previous FY were expended and reduced NPL.	(4,508)
Pension contributions made after the measurement date but in current FY were de-expended & recorded as deferred resource outflow.	6,638
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(9,457)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	7,857
OPEB contributions made before the measurement date and in the previous FY were expended & reduced OPEB liability.	(228)
OPEB contributions made after the measurement date but in current FY were de-expended & recorded as deferred resource outflow.	306
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(33)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(2,182)
Change in net position of governmental activities - Statement of Activities	<u>\$ 19,948</u>

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2020

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Gas Utility</u>	Total Enterprise Funds
ASSETS:			
Current Assets:			
<i>Cash and Cash Equivalents</i>	\$ 281,301	\$ 349,035	\$ 630,336
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Accounts</i>	40,893	2,470	43,363
<i>Other</i>	5,915		5,915
<i>Other Assets</i>	100		100
Total Current Assets	<u>328,209</u>	<u>351,505</u>	<u>679,714</u>
Noncurrent Assets:			
Restricted Cash, Cash Equivalents and Investments-			
<i>Cash and Equivalents</i>	100,008		100,008
<i>Net Pension Asset</i>		4,156	4,156
Capital Assets:			
<i>Land</i>	7,347		7,347
<i>Buildings</i>	16,392		16,392
<i>Autos and Trucks</i>	1,857		1,857
<i>Machinery and Equipment</i>	57,641		57,641
<i>Plant and Improvements</i>	1,170,553	162,066	1,332,619
<i>Work in Process- Water Line</i>	33,955		33,955
Total Noncurrent Assets	<u>1,387,753</u>	<u>166,222</u>	<u>1,553,975</u>
Total Assets	<u>1,715,962</u>	<u>517,727</u>	<u>2,233,689</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows Related to Pensions	6,063	3,809	9,872
Deferred Outflows Related to OPEB	1,716	672	2,388
Total Deferred Outflows of Resources	<u>\$ 7,779</u>	<u>\$ 4,481</u>	<u>\$ 12,260</u>
LIABILITIES:			
Current Liabilities:			
<i>Accounts payable</i>	\$ 25,206	\$ 7,762	\$ 32,968
<i>Interest Payable</i>	1,265		1,265
<i>Customer Deposits</i>	46,396	24,853	71,249
Noncurrent Liabilities:			
<i>Revenue Bonds Payable</i>	341,000		341,000
<i>Capital Leases Payable</i>	42,462	21,231	63,693
<i>Net OPEB Liability</i>	10,967	5,133	16,100
<i>Net Pension Liability</i>	15,820		15,820
Total Noncurrent Liabilities	<u>410,249</u>	<u>26,364</u>	<u>436,613</u>
Total Liabilities	<u>483,116</u>	<u>58,979</u>	<u>542,095</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Related to Pensions	7,458	2,119	9,577
Total Deferred Inflows of Resources	<u>7,458</u>	<u>2,119</u>	<u>9,577</u>
NET POSITION:			
<i>Net Investment in Capital Assets</i>	904,283	140,835	1,045,118
<i>Restricted for Debt Service</i>	60,008		60,008
<i>Restricted for Other Purposes</i>	40,000		40,000
<i>Unrestricted Net Position</i>	228,876	320,275	549,151
Total Net Position	<u>\$ 1,233,167</u>	<u>\$ 461,110</u>	<u>\$ 1,694,277</u>

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Gas Utility</u>	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Sales and Services:			
<i>Gas Sales</i>	\$	\$ 179,715	\$ 179,715
<i>Water Sales</i>	332,972		332,972
<i>Sewer Charges</i>	123,162		123,162
<i>WTG Metering Revenues</i>	36,798		36,798
<i>Reconnect and Tapping Charges</i>	2,799	221	3,020
<i>Grant Proceeds</i>	33,955		33,955
<i>Late Fees</i>	11,624	3,160	14,784
<i>Miscellaneous</i>	1,030		1,030
Total Operating Revenues	<u>542,340</u>	<u>183,096</u>	<u>725,436</u>
OPERATING EXPENSES:			
<i>Production</i>	219,753	61,814	281,567
<i>Distribution</i>	158,334	82,665	240,999
<i>Sewer</i>	30,047		30,047
<i>Administrative</i>	53,371	10,696	64,067
<i>Depreciation</i>	80,828	16,857	97,685
Total Operating Expenses	<u>542,333</u>	<u>172,032</u>	<u>714,365</u>
Operating Income	<u>7</u>	<u>11,064</u>	<u>11,071</u>
NON-OPERATING REVENUES (EXPENSES):			
<i>Interest Revenue</i>	2,666	2,120	4,786
<i>Interest Expense</i>	(16,786)	(563)	(17,349)
Total Non-operating Revenues (Expenses)	<u>(14,120)</u>	<u>1,557</u>	<u>(12,563)</u>
Income before Transfers	<u>(14,113)</u>	<u>12,621</u>	<u>(1,492)</u>
<i>Interfund Operating Transfers In</i>	3,857	1,928	5,785
Change in Net Position	<u>(10,256)</u>	<u>14,549</u>	<u>4,293</u>
Total Net Position - Beginning	<u>1,243,423</u>	<u>446,561</u>	<u>1,689,984</u>
Total Net Position - Ending	<u>\$ 1,233,167</u>	<u>\$ 461,110</u>	<u>\$ 1,694,277</u>

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Gas Utility	Total Enterprise Funds
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ 494,194	\$ 184,318	\$ 678,512
<i>Cash Received from Grants</i>	33,955		33,955
<i>Cash Payments to Employees for Services</i>	(103,974)	(47,908)	(151,882)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(378,793)	(98,752)	(477,545)
<i>Other Operating Cash Receipts (Payments)</i>	1,030		1,030
Net Cash Provided (Used) by Operating Activities	<u>46,412</u>	<u>37,658</u>	<u>84,070</u>
Cash Flows from Non-capital Financing Activities:			
<i>Transfers From (To) Other Funds</i>	3,857	1,928	5,785
Net Cash Provided (Used) by Non-capital Financing Activities	<u>3,857</u>	<u>1,928</u>	<u>5,785</u>
Cash Flows from Capital and Related Financing Activities:			
<i>Proceeds from Issuance of Long-term Debt</i>	45,192	22,596	67,788
<i>Principal Paid</i>	(16,730)	(1,365)	(18,095)
<i>Interest Paid</i>	(16,839)	(563)	(17,402)
<i>Acquisition or Construction of Capital Assets</i>	(79,147)	(22,596)	(101,743)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(67,524)</u>	<u>(1,928)</u>	<u>(69,452)</u>
Cash Flows from Investing Activities:			
<i>Interest and Dividends on Investments</i>	2,666	2,120	4,786
Net Cash Provided (Used) for Investing Activities	<u>2,666</u>	<u>2,120</u>	<u>4,786</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,589)	39,778	25,189
Cash and Cash Equivalents at Beginning of Year	395,898	309,257	705,155
Cash and Cash Equivalents at End of Year	<u>\$ 381,309</u>	<u>\$ 349,035</u>	<u>\$ 730,344</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 7	\$ 11,064	\$ 11,071
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
<i>Depreciation</i>	80,828	16,857	97,685
<i>Pension Expense Related to GASB 68</i>	168	594	762
<i>OPEB Expense Related to GASB 75</i>	1,268	542	1,810
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Receivables</i>	(13,161)	1,222	(11,939)
<i>Increase (Decrease) in Accounts Payable</i>	(24,974)	6,671	(18,303)
<i>Increase (Decrease) in Customer Deposits</i>	2,276	708	2,984
Total Adjustments	<u>46,405</u>	<u>26,594</u>	<u>72,999</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 46,412</u>	<u>\$ 37,658</u>	<u>\$ 84,070</u>

The accompanying notes are an integral part of this statement.

CITY OF SPUR, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Significant Accounting Policies

The combined financial statements of City of Spur, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF SPUR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Water and Sewer Fund- This fund is used to account for operations of the Water and Sewer department.

Gas Utility Fund- This fund is used to account for operations for the Gas Utility department.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

CITY OF SPUR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$500 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	25-40
Autos and Trucks	5-10
Plant Improvements	25-40
Machinery and Equipment	5-25
Furniture and Fixtures	5-10
Library Assets	5-10
Golf Course and Equipment	5-10

e. Receivable and Payable Balances

The City believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. 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 or 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

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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.

g. Other Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, Interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

i. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

The City has the following restricted funds in the General Fund:

Animal Shelter	\$	71,506
Economic Development	\$	51,811
Swenson Park Pool	\$	50,640
Fire Truck Grant	\$	976

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The City also has the following restricted funds in the Water and Sewer Fund:

Reserve Fund Covenant	\$	30,000
Interest & Sinking Covenant	\$	30,008
Water Grant	\$	40,000

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

I. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

m. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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B. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$911,538 and the bank balance was \$940,953. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

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FOR THE YEAR ENDED SEPTEMBER 30, 2020

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

As of September 30, 2020, the following are the City's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percentage	Maturity in Less Than One Year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	\$110,160	12.09%	\$110,160			N/A
Certificates of Deposit	801,378	87.91%		801,378		N/A
Total Cash and Cash Equivalents	<u>\$911,538</u>	<u>100.00%</u>	<u>\$110,160</u>	<u>\$801,378</u>		

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

During the current fiscal year, there were no fair value adjustments made to the financial statements since the City did not have funds that met the definition of an investment according to GASB 72.

C. **Receivables**

Receivables at year end, including, the applicable allowances for uncollectible accounts, are as follows:

	Governmental General Fund	Proprietary Water & Sewer Fund	Proprietary Gas Utility Fund	Total
Receivables				
Accounts	\$ 12,915	\$ 44,393	\$ 4,992	\$ 62,300
Taxes	67,867			67,867
Other		5,915		5,915
Total Gross Receivables	<u>80,782</u>	<u>50,308</u>	<u>4,992</u>	<u>136,082</u>
Less: Allowances for Uncollectible				
Accounts	(1,500)	(3,500)	(2,522)	(7,522)
Taxes	(15,609)			(15,609)
Net Total Receivables	<u>\$ 63,673</u>	<u>\$ 46,808</u>	<u>\$ 2,470</u>	<u>\$ 112,951</u>

CITY OF SPUR, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 61,425			\$ 61,425
Construction in progress		87,346		87,346
Total capital assets not being depreciated	<u>61,425</u>	<u>87,346</u>		<u>148,771</u>
<i>Capital assets being depreciated:</i>				
Autos and Trucks	544,324	32,000		576,324
Buildings	2,085,794	13,860		2,099,654
Furniture and Fixtures	78,889			78,889
Machinery and Equipment	996,247	38,157		1,034,404
Infrastructure	978,861			978,861
Library Assets	157,255			157,255
Golf Course and Equipment	102,770			102,770
Total capital assets being depreciated	<u>4,944,140</u>	<u>84,017</u>		<u>5,028,157</u>
Less accumulated depreciation for:				
Autos and Trucks	(483,596)	(14,815)		(498,411)
Buildings	(776,662)	(53,117)		(829,779)
Furniture and Fixtures	(77,682)	(130)		(77,812)
Machinery and Equipment	(950,001)	(17,207)		(967,208)
Infrastructure	(920,599)	(4,140)		(924,739)
Library Assets	(157,255)			(157,255)
Golf Course and Equipment	(67,863)	(2,811)		(70,674)
Total accumulated depreciation	<u>(3,433,658)</u>	<u>(92,220)</u>		<u>(3,525,878)</u>
Total capital assets being depreciated, net	<u>1,510,482</u>	<u>(8,203)</u>		<u>1,502,279</u>
Governmental activities capital assets, net	<u>\$ 1,571,907</u>	<u>\$ 79,143</u>		<u>\$ 1,651,050</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 7,347			\$ 7,347
Construction in progress		33,955		33,955
Total capital assets not being depreciated	<u>7,347</u>	<u>33,955</u>		<u>41,302</u>
<i>Capital assets being depreciated:</i>				
Buildings	31,035			31,035
Auto and Trucks	49,432			49,432
Furniture and Fixtures	7,064			7,064
Machinery and Equipment	161,878	45,192		207,070
Plant Improvements	3,838,333	22,596		3,860,929
Total capital assets being depreciated	<u>4,087,742</u>	<u>67,788</u>		<u>4,155,530</u>
Less accumulated depreciation for:				
Buildings	(13,951)	(692)		(14,643)
Auto and Trucks	(45,718)	(1,857)		(47,575)
Furniture and Fixtures	(7,064)			(7,064)
Machinery and Equipment	(137,084)	(12,345)		(149,429)
Plant Improvements	(2,445,520)	(82,790)		(2,528,310)
Total accumulated depreciation	<u>(2,649,337)</u>	<u>(97,684)</u>		<u>(2,747,021)</u>
Total capital assets being depreciated, net	<u>1,438,405</u>	<u>(29,896)</u>		<u>1,408,509</u>
Business-type activities capital assets, net	<u>\$ 1,445,752</u>	<u>\$ 4,059</u>		<u>\$ 1,449,811</u>

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Depreciation was charged to functions as follows:

General Government	\$	24,615
Public Safety		17,768
Highway and Streets		27,070
Health and Welfare		3,520
Culture and Recreation		19,247
Water and Sewer		80,828
Gas Utility		16,856
	\$	<u>189,904</u>

E. Interfund Balances and Activity

1. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Enterprise Fund- Water & Sewer	\$ 3,857	Reimburse expenditures
General fund	Enterprise Fund- Gas Utility	1,928	Reimburse expenditures
	Total	<u>\$ 5,785</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital Lease- Backhoe	\$	\$ 22,596	\$ 1,364	\$ 21,232	2,115
Net Pension Liability *	65,052	7,569	47,268	25,353	
OPEB Liability *	13,995	4,893		18,888	
Total governmental activities	<u>\$ 79,047</u>	<u>\$ 35,058</u>	<u>\$ 48,632</u>	<u>\$ 65,473</u>	<u>\$ 2,115</u>

During the current fiscal year, the City entered into a 60 month capital lease agreement with Caterpillar Financial Services the purchase of a new backhoe. The effective interest rate is 3.50%. The total amount financed was \$90,384.35. 59 payments in the amount of \$964.14 are due monthly and a final payment in the amount of \$45,964.14 is due at the end of the lease. These payments are split between the General Fund, the Water and Sewer Fund, and the Gas Utility Fund.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Revenue Bonds	\$ 355,000	\$	\$ 14,000	\$ 341,000	15,000
Water and Sewer					
Capital Lease- Backhoe		67,788	4,095	63,693	6,342
Net Pension Liability *	44,144	6,193	38,673	11,664	
OPEB Liability *	12,095	4,005		16,100	
Total business-type activities	<u>\$ 411,239</u>	<u>\$ 77,986</u>	<u>\$ 56,768</u>	<u>\$ 432,457</u>	<u>\$ 21,342</u>

CITY OF SPUR, TEXAS

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FOR THE YEAR ENDED SEPTEMBER 30, 2020

The City received approval to issue \$550,000 in Waterworks and Sewer System revenue bonds in a prior period. The bonds carry an interest rate of 4.5% and the interest is due and payable semi-annually in March and September. Principal is due on the bonds annually in March. The bonds are payable and pledged revenues of the City's Water and Sewer Fund.

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability	Governmental	General Fund
OPEB Liability	Governmental	General Fund
Net Pension Liability	Business-type	Water & Sewer and Gas Utility
OPEB Liability	Business-type	Water & Sewer and Gas Utility

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020, are as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 15,000	\$ 15,008	\$ 30,008
2022	16,000	14,310	30,310
2023	16,000	13,590	29,590
2024	17,000	12,848	29,848
2025	18,000	12,060	30,060
2026-2030	102,000	47,115	149,115
2031-2035	128,000	21,510	149,510
2036-2040	29,000	653	29,653
Totals	<u>\$ 341,000</u>	<u>\$ 137,094</u>	<u>\$ 478,094</u>

3. Capital Leases

Commitments under capitalized lease agreements for the backhoe provide for minimum future lease payments as of September 30, 2020, as follows:

<u>Year Ending September 30:</u>	
2021	\$ 11,570
2022	11,570
2023	11,570
2024	11,570
2025	49,821
2026-2030	
2031-2035	
2036-2040	
Total Minimum Rentals	<u>\$ 96,101</u>
Less: Amount Representing Interest	<u>(11,176)</u>
Present Value of Minimum Rentals	<u>84,925</u>
Rental Expenditures in 2020	<u>\$ 7,713</u>

The effective interest rate on capital leases is 3.50%.

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FOR THE YEAR ENDED SEPTEMBER 30, 2020

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2020, as follows:

<u>Year Ending September 30,</u>	
2021	\$ 1,636
2022	1,636
2023	1,636
Total Minimum Rentals	\$ <u>4,908</u>
Rental Expenditures in 2020	\$ <u>1,636</u>

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Pension Plan

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, 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 may choose to receive their retirement benefit in one of seven payments 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.

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Employees covered by benefit terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	15
Active employees	10
Total covered employees	<u>29</u>

3. 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. 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 for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.66% and 5.17% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$15,996, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 21, 2014 to 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

CITY OF SPUR, TEXAS

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FOR THE YEAR ENDED SEPTEMBER 30, 2020

emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
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.

Changes in Net Pension Liability	Increase (Decrease)		
	\$ Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 902,562	\$ 793,365	\$ 109,197
Changes for the year			
Service cost	21,072		21,072
Interest	59,613		59,613
Change of benefit terms			
Difference between expected and actual experience	(7,421)		(7,421)
Changes of assumptions	3,836		3,836
Contributions - employer		13,222	(13,222)
Contributions - employee		14,086	(14,086)
Net investment income		122,686	(122,686)
Benefit payments, including refunds of employee contributions	(59,892)	(59,892)	
Administrative expense		(693)	693
Other changes		(21)	21
Net changes	\$ 17,208	\$ 89,388	\$ (72,180)
Balance at 12/31/2019	\$ 919,770	\$ 882,753	\$ 37,017

CITY OF SPUR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 5.75%	Discount 6.75%	1% Increase in 7.75%
City's net pension liability	\$ 150,947	\$ 37,017	\$ (57,876)

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.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$16,131.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,800	\$
Changes in actuarial assumptions	\$ 2,767	\$
Difference between projected and actual investment earnings	\$	\$ 27,838
Contributions subsequent to the measurement date	\$ 12,069	
Total	<u>\$ 16,636</u>	<u>\$ 27,838</u>

\$12,069 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended Dec. 31:</u>	
2020	\$ (4,383)
2021	\$ (6,620)
2022	\$ 1,558
2023	\$ (13,826)
2024	\$
Thereafter	\$
	<u>\$ (23,271)</u>

CITY OF SPUR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

J. Other Post-Employment Benefits

Supplemental Death Benefits Plan

1. Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

2. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Plan.

Employees covered by benefit terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	2
Active employees	10
Total Covered employees	<u>16</u>

3. Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.21% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$690 and were equal to the required contributions.

CITY OF SPUR, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

4. Total OPEB Liability

Actuarial Assumptions

The actuarial assumptions used in the calculation of the funding valuation for the SDBF are based on the Mortality Experience Investigation Study covering 2014 through 2018, and dated December 31, 2019. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

Assumptions:

- a. Mortality Rates - Same as for the Pension Trust Fund
- b. Investment Return - A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- c. Actuarial Cost Method- For the purpose of calculating an employer's actuarially determined contributions rate, the one-year term cost is used.
- d. Valuation of Assets- Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- e. Changes in Actuarial Assumptions and Methods- There were no changes since the prior valuation.

Benefit Provisions:

- a. Participation in SDBF - Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- b. Benefit Eligibility - Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- c. Benefit Amount - The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. 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.

Changes in the Total OPEB Liability	Total OPEB Liability
Balance at 12/31/18	\$ 26,090
Changes for the year	
Service cost	2,085
Interest	1,006
Change of benefit terms	
Difference between expected and actual experience	704
Changes of assumptions	5,159
Contributions - employer	
Contributions - employee	
Net investment income	
Benefit payments, including refunds of employee contributions	(56)
Administrative expense	
Other charges	
Net changes	8,898
Balance at 12/31/19	\$ 34,988

CITY OF SPUR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Decrease in Discount rate (3.75%)
Total OPEB liability	\$ 41,947	\$ 34,988	\$ 29,486

OPEB Plan Total Liability:

Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$4,083.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	788	
Changes in actuarial assumptions	4,065	
Contributions subsequent to the measurement date	556	
Total	<u>\$ 5,409</u>	

\$556 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 total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30	
2020	\$ 992
2021	\$ 992
2022	\$ 991
2023	\$ 675
2024	\$ 932
Thereafter	\$ 271
	<u>4,853</u>

K. Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$510 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The City has provided for continued medical insurance coverage for certain qualifying retiring employees. These benefits, should they be elected, would be paid entirely by the retired employee.

CITY OF SPUR, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

L. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

In connection with a disaster relief grant, the City has executed a lease for 77 acres of land for the purposes of developing an emergency water supply. The lease is dated October 13, 1998 and contains a provision for a payment of \$47,000 which was remitted during a prior year. The term of the lease is for a fifty (50) year period.

M. Other Matters

As a result of prolonged extreme drought conditions in the geographical region, the long-term supply of water of the City is in jeopardy. The City is keenly aware of this matter and is exploring many options to acquire and expand their water supply.

The City has been approved for a TCDP CDBG grant award in the amount of \$275,000 for water line replacement and lift station rehab through the Texas Community Development Block Grant (TxCDBG) Program. During the current fiscal year, the City set aside \$40,000 as their matching portion of the grant. This amount is reflected as restricted in the water and sewer fund.

N. Subsequent Events

Subsequent events were evaluated through August 12, 2021, which is the date the financial statements were available to be issued. No significant subsequent events have occurred prior to this date.

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.

CITY OF SPUR, TEXAS

EXHIBIT B-1

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 303,800	\$ 303,800	\$ 305,627	\$ 1,827
Franchise Tax	25,000	25,000	22,240	(2,760)
Sales Tax	102,000	102,000	128,636	26,636
Hotel/Motel Tax	4,000	4,000	12,764	(8,764)
Court Fines	10,000	10,000	7,000	(3,000)
Use of Property	14,200	14,200	5,651	(8,549)
Golf Course Dues and Fees	1,000	1,000		(1,000)
Fire Department Services	16,800	16,800	16,800	
Sanitation Charges	117,000	117,000	111,357	(5,643)
Library Income	6,019	6,019	3,560	(2,459)
Library Donations	8,500	8,500	8,608	108
Grant Proceeds			82,322	82,322
Special Assessments	32,200	32,200	31,383	(817)
Proceeds from Asset Dispositions	2,500	2,500	20,248	17,748
Investment Earnings	2,450	2,450	3,913	1,463
Miscellaneous	4,200	4,200	3,282	(918)
Total revenues	<u>649,669</u>	<u>649,669</u>	<u>763,391</u>	<u>113,722</u>
Expenditures:				
Current:				
General Government	145,470	145,470	159,215	(13,745)
Public Safety				
Fire Department	67,550	67,550	62,374	5,176
Police Department	139,594	139,594	128,635	10,959
Total Public Safety	<u>207,144</u>	<u>207,144</u>	<u>191,009</u>	<u>16,135</u>
Highways and Streets	39,400	39,400	41,001	(1,601)
Health and Sanitation				
Health and Sanitation	114,100	114,100	108,893	5,207
Hospital	5,900	5,900	5,011	889
Total Health and Welfare	<u>120,000</u>	<u>120,000</u>	<u>113,904</u>	<u>6,096</u>
Culture and Recreation				
Parks and Recreation	114,934	114,934	97,311	17,623
Golf Course	7,400	7,400	7,223	177
Library	22,619	22,619	22,496	123
Total Culture and Recreation	<u>144,953</u>	<u>144,953</u>	<u>127,030</u>	<u>17,923</u>
Code Compliance	14,166	14,166	12,981	1,185
Debt Service:				
Principal	5,000	5,000	1,365	3,635
Interest and Fiscal Charges	1,600	1,600	563	1,037
Capital Outlay	38,600	38,600	171,363	(132,763)
Total Expenditures	<u>716,332</u>	<u>716,332</u>	<u>818,431</u>	<u>(102,099)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(66,663)</u>	<u>(66,663)</u>	<u>(55,040)</u>	<u>11,623</u>
Other Financing Sources (Uses):				
Operating Transfers In	50,358	50,358		(50,358)
Operating Transfers Out			(5,785)	(5,785)
Capital Leases			22,596	(22,596)
Total Other Financing Sources (Uses)	<u>50,358</u>	<u>50,358</u>	<u>16,811</u>	<u>33,547</u>
Net Change in Fund Balances	<u>(16,305)</u>	<u>(16,305)</u>	<u>(38,229)</u>	<u>(21,924)</u>
Fund Balances - Beginning	190,165	190,165	190,165	
Fund Balances - Ending	<u>\$ 173,860</u>	<u>\$ 173,860</u>	<u>\$ 151,936</u>	<u>\$ (21,924)</u>

CITY OF SPUR, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability	\$ 21,072	\$ 22,599	\$ 25,612	\$ 25,663	\$ 26,619	\$ 25,289	\$	\$	\$	\$
Service Cost	59,613	56,177	63,611	62,844	62,308	57,708				
Interest (on the total pension liability)		(160,989)								
Changes of benefit terms										
Difference between expected and actual experience	(7,421)	18,441	(6,339)	(21,779)	12,125	7,880				
Change of assumptions	3,836				6,395					
Benefit payments, including refunds of employee contributions	(59,892)	(31,214)	(29,831)	(80,853)	(51,251)	(405)				
Net Change in Total Pension Liability	17,208	(94,986)	53,053	(14,125)	56,196	90,472				
Total Pension Liability- Beginning	902,562	997,548	944,495	958,620	902,424	811,952				
Total Pension Liability- Ending (a)	\$ 919,770	\$ 902,562	\$ 997,548	\$ 944,495	\$ 958,620	\$ 902,424	\$	\$	\$	\$
Plan Fiduciary Net Position										
Contributions- Employer	\$ 13,222	\$ 15,155	\$ 16,956	\$ 15,150	\$ 16,083	\$ 15,616	\$	\$	\$	\$
Contributions- Employee	14,086	14,947	14,874	14,766	15,494	15,554				
Net Investment Income	122,686	(24,554)	99,593	48,762	1,093	38,436				
Benefit payments, including refunds of employee contributions	(59,892)	(31,214)	(29,831)	(80,853)	(51,251)	(405)				
Administrative Expense	(693)	(474)	(516)	(550)	(665)	(401)				
Other	(21)	(25)	(26)	(30)	(33)	(33)				
Net Change in Plan Fiduciary Net Position	89,388	(26,165)	101,050	(2,755)	(19,279)	68,767				
Plan Fiduciary Net Position- Beginning	793,365	819,530	718,480	721,235	740,514	671,747				
Plan Fiduciary Net Position- Ending (b)	\$ 882,753	\$ 793,365	\$ 819,530	\$ 718,480	\$ 721,235	\$ 740,514	\$	\$	\$	\$
Net Pension Liability- Ending (a)- (b)	\$ 37,017	\$ 109,197	\$ 178,018	\$ 226,015	\$ 237,385	\$ 161,910	\$	\$	\$	\$
Plan fiduciary net position as a percentage of the total pension liability	95.98%	89.00%	82.15%	76.07%	75.24%	82.06%				
Covered Payroll	\$ 281,710	\$ 298,934	\$ 297,473	\$ 295,313	\$ 309,889	\$ 311,084	\$	\$	\$	\$
Net Pension Liability as a Percentage of Covered Payroll	13.14%	36.53%	59.84%	76.53%	76.60%	52.05%				

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF SPUR, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	\$ 15,966	\$ 13,470	\$ 15,079	\$ 17,344	\$ 16,051	\$ 16,483	\$	\$	\$	\$
Contributions in relation to the contractually required contribution	(15,966)	(13,470)	(15,079)	(17,344)	(16,051)	(16,483)				
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
City's covered payroll	\$ 316,946	\$ 279,894	\$ 288,680	\$ 301,374	\$ 301,490	\$ 310,384	\$	\$	\$	\$
Contributions as a percentage of covered payroll	5.04%	4.81%	5.22%	5.75%	5.32%	5.31%				

Note: GASB 68, Paragraph 81.2b requires that the data in this schedule be presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2019- December 31, 2019.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF SPUR, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM SDBF
LAST TEN FISCAL YEARS *

	Measurement Year Ended									
	2019	2016	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service Cost	\$ 2,085	\$ 2,302	\$ 2,112	\$	\$	\$	\$	\$	\$	\$
Interest on Total OPEB liability	1,006	849	785							
Changes in benefit terms										
Difference between expected and actual experience	704	294								
Change in assumptions	5,159	(1,841)	1,907							
Benefit payments	(56)	(30)		\$	\$	\$	\$	\$	\$	\$
Net Change in OPEB liability	8,898	1,574	4,804							
Total OPEB liability- beginning	26,090	24,516	19,712							
Total	<u>\$ 34,988</u>	<u>\$ 26,090</u>	<u>\$ 24,516</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 281,710	\$ 298,934	\$ 297,473	\$	\$	\$	\$	\$	\$	\$
City's total OPEB liability as a percentage of its covered payroll	12.42%	8.73%	8.24%							

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF SPUR, TEXAS
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM SDBF
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily or contractually required City contribution	\$ 691	\$ 661	\$ 643	\$	\$	\$	\$	\$	\$	\$
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(691)	(661)	(643)							
Contribution deficiency (excess)	\$	\$	\$ 1,286	\$	\$	\$	\$	\$	\$	\$
City's covered payroll	\$ 316,946	\$ 279,894	\$ 288,680	\$	\$	\$	\$	\$	\$	\$
Contributions as a percentage of covered payroll	0.22%	0.24%	0.22%							

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Note: The data in this schedule is presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2019- December 31, 2019.

CITY OF SPUR, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2020

Budget:

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

- a. Prior to September 1, the City Council is presented with a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
- b. Public hearings are conducted to obtain taxpayer comment.
- c. Prior to September 30, the budget is legally enacted through passage of an ordinance.
- d. Formal budget integration is employed as a management control device during the year.
- e. The City does not utilize a formal encumbrance system for appropriations.
- f. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The City's expenditures exceeded appropriations in several current categories for the year September 30, 2020.

Defined Benefit Pension Plan

Valuation Date:

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	15 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% 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 General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

There were no benefit changes during the year.

Other Post Employment Benefits

Valuation Date:

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:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate	2.75%
Mortality	Service Retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Disabled Retirees: 2019 Municipal Retirees of Texas Mortality 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 younger 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.

Other Information:

There were no benefit changes during the year.

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Robison Johnston & Patton, LLP
CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

Independent Auditors' 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 Spur, Texas
402 N. Burlington
Spur, Texas 79370

Members of the City Council:

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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Spur, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Spur, Texas' basic financial statements and have issued our report thereon dated August 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Spur, Texas' internal control over financial reporting (internal control) to determine the 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 Spur, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Spur, 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying letter that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Spur, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robison Johnston & Tetten LLP

Lubbock, TX
August 12, 2021

CITY OF SPUR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

B. Financial Statement Findings

Financial Statement finding is described in the accompanying letter.

CITY OF SPUR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Internal controls within the City are limited due to the limited number of personnel responsible for the financial records, which makes segregation of duties impractical.	Not Implemented	The City has decided that eliminating this identified deficiency would not be cost effective and no action will be implemented.

CITY OF SPUR, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Prudent management requires that potential benefits from internal control must exceed its' cost. As a result, the City has decided that eliminating this identified deficiency would not be cost effective and no action will be implemented. The management of the City will continue to provide oversight to mitigate potential problems within the accounting system.

