

# **CITY OF SULPHUR SPRINGS, TEXAS**

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2020

Prepared by:

Department of Finance

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## **INTRODUCTORY SECTION**

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March 5, 2021

To the Honorable Mayor, Members of the Governing Council, and Citizens of  
the City of Sulphur Springs, Texas

State law requires that every general-purpose local government publish and file in the office of the municipal secretary within 180 days of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

K. Evans & Associates, CPA's, have issued an unmodified ("clean") opinion on the City of Sulphur Springs, Texas financial statements for the year ended September 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Sulphur Springs, Texas, incorporated in 1859, is located in the northeastern part of the state. It currently occupies 32 square miles and serves a population of 16,134. The City of Sulphur Springs, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, although recent legislation has greatly reduced this ability.

The City of Sulphur Springs, Texas has operated under the council-manager form of government since 1947. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve three-year terms. The mayor is appointed each year by vote of the City Council. The mayor and council members are elected at large.

The City of Sulphur Springs, Texas provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational and cultural activities. The City of Sulphur Springs, Texas also is financially accountable for a legally separate economic development corporation which is reported separately within the City of Sulphur Springs, Texas financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Sulphur Springs, Texas financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Manager.

## **Local Economy**

The economic outlook for Sulphur Springs and Hopkins County continues to remain positive. Over the years, the economy of Sulphur Springs has included a rich history of dairy farming and now includes 3 major food processing industries and over 20 manufacturing businesses. The combined efforts of the SS/Hop Co EDC and local governments has brought the area two new manufacturers in FY 2020 that relocated or expanded to the area from other states. With the City's acquisition of the Thermo Mine property in November 2019, the EDC has ramped up efforts in hope of attracting some major industries to the area. In addition to these industrial businesses, Sulphur Springs has seen tremendous growth in restaurant and retail industries over the past few years. While much of the retail growth has come from the investments our citizens are choosing to make here in their hometown, we are slowly attracting new nationwide retailers such as Family Dollar, Dollar Tree, NAPA Auto Parts, and Harbor Freight. In addition to business growth, the City has experienced residential growth as well. In 2020, 27 residential structures were constructed. In an effort to address the single family home shortage, in addition to filling in vacant lots within the City, the City Council established the Housing Infill Program in 2020. This program provides incentives to builders that construct a new single family home in certain areas of town. To date, the program has entered into 380 Agreements for 8 new homes. The City's revitalization efforts downtown continue to serve as an attractant to businesses and new citizens because of the value it adds to the quality of life here in Sulphur Springs. With the combination of our vibrant downtown, parks, schools, new jobs, and expansion along the I-30 corridor, the City expects to see our local economy flourish in the coming years.

With the COVID-19 pandemic came an increase in the unemployment rate nationally and locally. At the end of 2020, the unemployment rate was 4.6%, which is a significant change from 2019, when the unemployment rate for the area was 3.1%. Despite the pandemic situation, local sales tax generation remained resilient with a 4.62% increase in FY 20. Sales tax revenue increased 3.4% in 2014, 4.3% in 2015 and 5.1% in 2016 but showed no increase in 2017. In 2018, sales tax revenue increased by 10.17%, 7.17% in 2019, 4.62% in 2020, and as of March 2021, sales tax is up 6.43%.

## **Long-Term Financial Planning**

In 1998, the City of Sulphur Springs started budgeting significant resources for its Capital Improvement Plan (CIP). The annual CIP was part of a long-term planning document which had been finalized in 1997. Funding was designed to be ongoing year by year. Significant progress was made from 2008-2016 on capital projects but has been scaled back in recent years due to budgetary constraints and increase in the cost of materials over time. In 2018, a new CIP was adopted that includes the reconstruction of 10 streets, and associated utilities and drainage. Along with the 10 streets being reconstructed over the next 5 years, 24 streets are a part of the Street Improvement Plan (SIP) in which they will receive maintenance and overlays. The CIP and SIP are budgeted in conjunction with the annual adopted operating budget. In the past, the City has used debt to fund a significant portion of the capital projects. Our new 5-year plan does not include the issuance of any new debt for these projects.

In December 2018, the City Council approved a Street Maintenance Fee (SMF). A Street Maintenance Fee (SMF) is a fee collected from benefitted properties within the city limits for the purpose of maintaining the street system. The collected fees will go into a separate fund named a Street Improvement Fund. Monies collected are separate from the General Fund and can only be applied to activities related to maintaining the street system. January 2019 marked the first month of collection of the SMF. The City initially planned to spend roughly \$560,000 annually over the next five years which would allow us to maintain about 2 miles of street network a year. The additional \$500,000 annually has allowed the City to essentially double our efforts for street maintenance. To fully fund the street maintenance that needs to be done, we would need an additional \$500,000 annually.

During FY 2008, the City of Sulphur Springs created a Tax Increment Financing Reinvestment Zone to redevelop its downtown core. The Project and Financial Plan was adopted in 2009 and financially guided that work through its completion. Work on the downtown started in the latter part of 2009 and continued through 2012. Work was completed in 2013. At this point the city is diligently working to increase commercial activity in its downtown district. Since 2007, taxable values of properties located in the TIFRZ have increased 71%.

## **Major Initiatives**

In 2010, the State completed construction on a new section of highway linking Hwy 154 with Hwy 19 by extending Hwy 11, essentially completing a long anticipated southern section of a loop around Sulphur Springs. The section continues a road upon which both Walmart and Lowes have frontage, creating the opportunity for additional commercial development. Eight years ago, the school district opened a new Middle School on that highway. In 2012, two new apartment complexes were started on that highway and completed as of 2014. Development in that area had been largely stalled because of a Pro Rata agreement that the school district had for the water and sewer lines that they paid for. The agreement ended on February 1, 2019 and since then, a storage unit business was constructed and a funeral home is currently under construction.

In March 2019, the City Council annexed two industrial parks into the City limits. At the time of annexation, it was anticipated that businesses located in the parks would provide the City with an increase in property tax revenue of \$63,500 annually. FY 2021 will be the first year that we receive property taxes from those properties. The actual property taxes generated from the annexation at the time of this letter is \$139,998 due to finished and additional construction.

In October 2018, the City signed a development agreement with Luminant Mining Company in which they agreed to deed 4,857 acres located just outside of the City limits to the City. On November 22, 2019, the transfer of the land was complete. Part of the agreement is that the City will annex the land into the City limits. The City Council annexed the City's land into the city limits on March 3, 2020. The donation of this land provides the City and its citizens with significant possibilities in the near future such as industrial parks.

## **Awards & Acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sulphur Springs, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2019. This was the thirtieth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized annual report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period on one year only. We believe that our current annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sulphur Springs, Texas finances.

Respectfully submitted,



Marc Maxwell  
City Manager





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

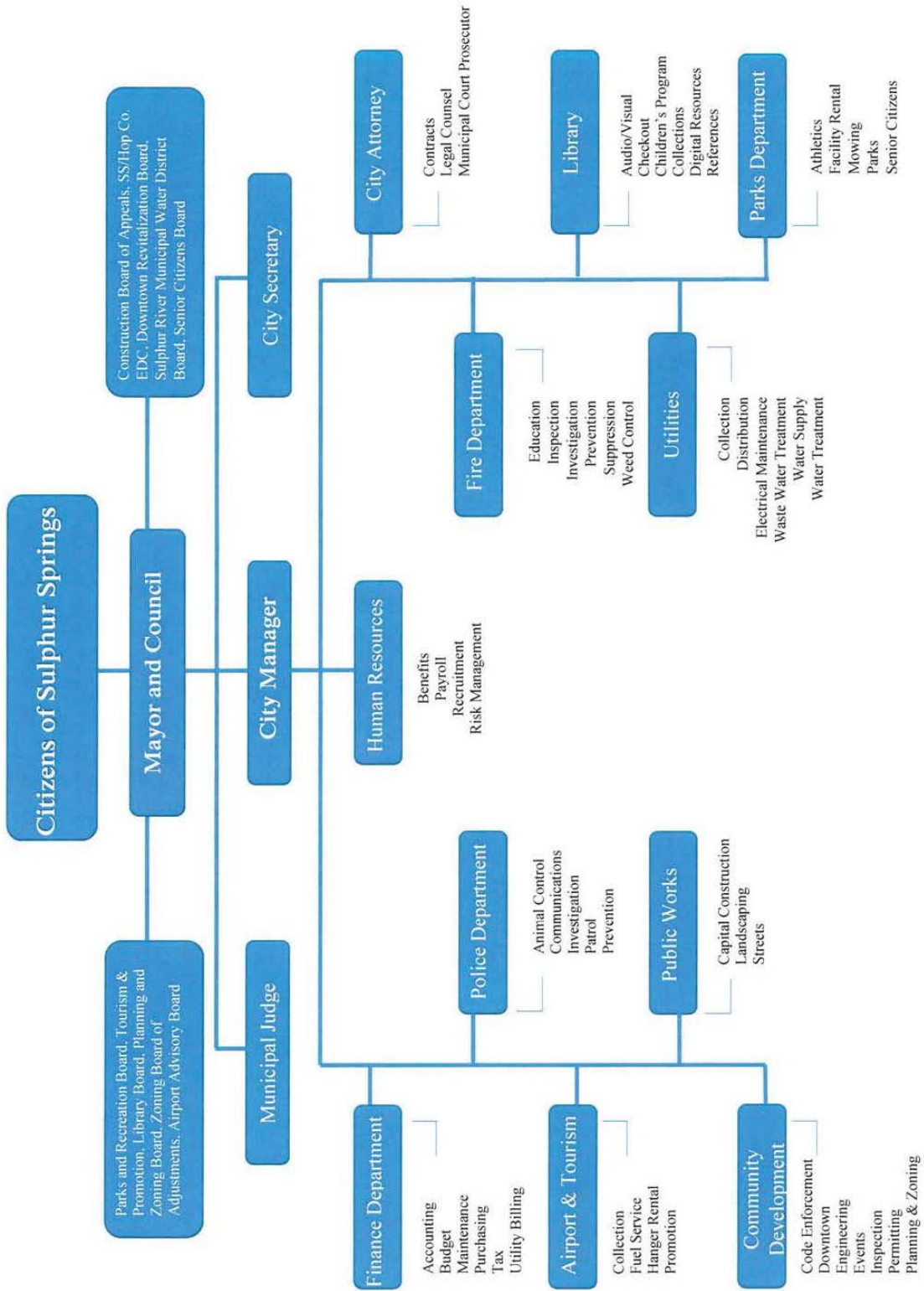
**City of Sulphur Springs  
Texas**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

September 30, 2019

*Christopher P. Morill*

Executive Director/CEO



**CITY OF SULPHUR SPRINGS, TEXAS**

List of Principal Officials  
September 30, 2020

<u>Title</u>	<u>Name</u>
Mayor	Norman Sanders
Mayor Pro-Tem	Freddie Taylor
Councilman	Doug Moore
Councilman	Oscar Aguilar
Councilman	Harold Nash
Council Place 1	- Vacant -
Council Place 5	- Vacant -
City Manager	Marc Maxwell
City Secretary	Gale Roberts
City Attorney	Jim McLeroy
Finance Director	Lesia Smith
City Engineer	David Reed
Community Development Director	Tory Niewiadomski
Director of Human Resources	Gordon Frazier
Library Director	Hope Cain
Parks and Recreation Director	Jerry Maynard
Director of Airport and Tourism	Joseph Baker
Police Chief	Jason Ricketson
Fire Chief	David James
Utilities Director	James Jordan
Public Works Director	Russ Nuss
Accounting Specialist	Oscar Aguayo

**FINANCIAL SECTION**

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## **Independent Auditor's Report**

To the Honorable Mayor  
and Members of the City Council  
**City of Sulphur Springs, Texas**

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sulphur Springs, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the General Fund and the Special Revenue Fund 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; Schedule of Changes in Net Pension Liability, Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Contributions 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 Sulphur Springs, Texas' basic financial statements. The combining and individual fund financial statements and schedules and other information such as the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

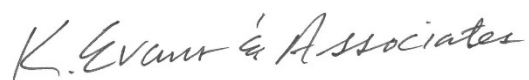
The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



K. Evans & Associates, CPA's  
Frisco, TX  
March 5, 2021

## Management's Discussion & Analysis

As management of the City of Sulphur Springs, we offer readers of the City of Sulphur Springs' financial statements this narrative overview and analysis of the financial activities of the City of Sulphur Springs for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 – 5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Sulphur Springs exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$58,475,339 (net position). Of this amount, \$11,612,420, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$11,819,692. This increase can be attributed to the nearly \$9 million value of donated land, increases in ad valorem tax revenue, sales tax revenue, charges for services, and grant revenue, as well as decreases in expenditures related to reduction of personnel and supplies due to the Covid-19 pandemic cancelling and delaying events and projects.
- As of the close of the most recent fiscal year, the City of Sulphur Springs governmental funds reported combined ending fund balances of \$8,459,602, an increase of \$3,624,474 in comparison with the prior year. The reasons for the increase in fund balances are issuance of almost \$3 million in debt for parks capital projects, grant revenue, better than expected sales tax revenue, and police asset forfeiture revenue.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,053,529 or 21 percent of total general fund expenditures.
- The City of Sulphur Springs long-term debt decreased by \$2,958,117 during the current fiscal year.

### Overview of the Financial Statements

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

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Sulphur Springs' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Sulphur Springs' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sulphur Springs is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).



Both of the government-wide financial statements distinguish functions of the City of Sulphur Springs that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Sulphur Springs include general government, public safety, highways and streets, culture and recreation. The business-type activities of the City of Sulphur Springs include the water treatment plant and distribution system, wastewater treatment plant and collection system, as well as sanitation collection and disposal.

The government-wide financial statements include not only the City of Sulphur Springs itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The economic development corporation issues separate financial statements.

The government-wide financial statements can be found on pages 21 – 23 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sulphur Springs, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sulphur Springs can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Sulphur Springs maintains nine governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, debt service fund, three capital projects funds, and the street maintenance fund, all of which are considered to be major funds. Data from the four other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Sulphur Springs adopts an annual appropriated budget for its general fund and the airport fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 24 – 34 of this report.

**Proprietary Funds.** The City of Sulphur Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sulphur Springs uses enterprise funds to account for its Water, Sewer and Sanitation operations. *Internal Services Funds* are an accounting device used to accumulate and allocate costs internally among the City of Sulphur Springs' various functions. The City of Sulphur Springs uses internal services funds to account for its various type of insurance program including its' partially self-funded employee health plan.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Sanitation operations, which is considered to be a major fund of the City of Sulphur Springs.

The basic proprietary fund financial statements can be found on pages 35 – 39 of this report.

**Private Purpose Trust Funds.** Private Purpose Trust funds are used to account for resources held for the benefit of parties outside the government. Private Purpose Trust funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sulphur Springs own programs. The accounting used for Private Purpose Trust funds is much like that used for proprietary funds.

The basic Private Purpose Trust funds financial statements can be found on pages 40 – 41 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42 – 66 of this report.

**Other Information:** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. Combining and individual fund statements and schedules can be found on pages 73 – 77 of this report.

### Government – Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Sulphur Springs, assets exceed liabilities by \$58,475,339 at the close of the most recent fiscal year.

A portion of the City of Sulphur Springs’ net position (79 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Sulphur Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sulphur Springs’ investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current & Other Assets	\$ 9,648,910	6,072,994	8,239,813	9,609,152	17,888,723	15,682,146
Capital Assets	43,370,765	34,772,710	43,555,557	43,154,423	86,926,322	77,927,133
Total Assets	53,019,675	40,845,704	51,795,370	52,763,575	104,815,045	93,609,279
Deferred Outflows	586,149	2,109,214	323,694	855,828	909,843	2,965,042
Total Assets & Deferred Outflows	53,605,824	42,954,918	52,119,064	53,619,403	105,724,888	96,574,321
Long-Term Liabilities	16,310,983	17,358,335	24,227,917	26,138,682	40,538,900	43,497,017
Other Liabilities	2,519,454	2,295,051	2,650,790	3,661,415	5,170,244	5,956,466
Total Liabilities	18,830,437	19,653,386	26,878,707	29,800,097	45,709,144	49,453,483
Deferred Inflows	1,147,720	175,981	392,685	60,210	1,540,405	236,191
Total Liabilities & Deferred Inflows	19,978,157	19,829,367	27,271,392	29,860,307	47,249,549	49,689,674
Net Position						
Net Invested in Capital Assets	27,907,035	20,362,057	18,515,436	16,918,587	46,422,471	37,280,644
Restricted	24,407	24,349	416,041	435,333	440,448	459,682
Unrestricted	5,696,225	2,739,145	5,916,195	6,405,176	11,612,420	9,144,321
Total Net Position	\$ 33,627,667	23,125,551	24,847,672	23,759,096	58,475,339	46,884,647

An additional portion of the City of Sulphur Springs’ net position (1.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$11,612,420 is available for capital outlay and to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sulphur Springs is able to report positive balances in all three categories of net position for the government as a whole.

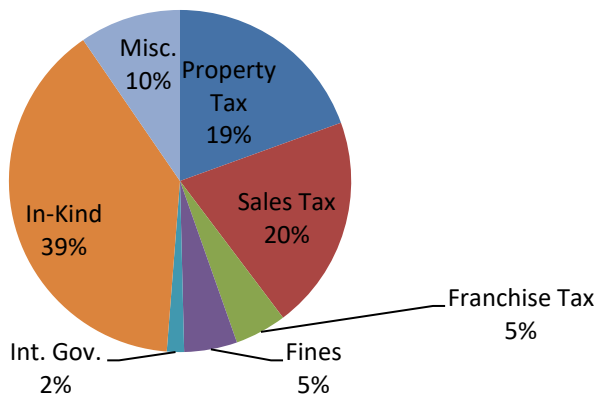
There was an increase of \$8,999,189 in net investment in capital assets.

The government's net position increased by \$11,819,692 during the current fiscal year. This increase can be attributed to the nearly \$9 million value of donated land, increases in ad valorem tax revenue, sales tax revenue, charges for services, and grant revenue, as well as decreases in expenditures related to reduction of personnel and supplies due to the Covid-19 pandemic cancelling and delaying events and projects.

### Governmental Activities

Governmental activities (after transfers) increased the City of Sulphur Springs' net position by \$10,101,116. This can be attributed to the nearly \$9 million value of donated land, as well as increases in grant revenue in the form of Covid-19 relief, and an increase in sales tax revenue due to a resilient local economy. Decreases in expenditures were a result of completed, canceled, or delayed events and projects.

## Revenue by Source Governmental Activities



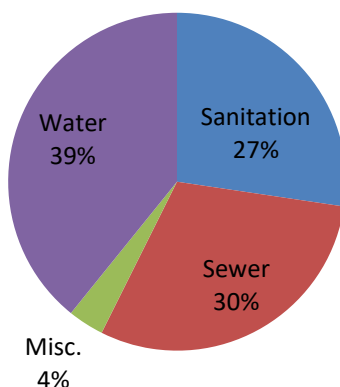
## CITY OF SULPHUR SPRINGS – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,796,767	1,679,002	13,802,723	13,381,589	15,599,490	15,060,591
Operating Grants & Contributions	927,631	635,730	-	-	927,631	635,730
Capital Grants & Contributions	202,389	203,595	-	-	202,389	203,595
<b>General Revenues:</b>						
Property Taxes	4,360,753	4,133,977	-	-	4,360,753	4,133,977
Other Taxes	5,703,547	5,804,218	-	-	5,703,547	5,804,218
Other	9,214,018	517,924	256,822	384,422	9,470,840	902,346
<b>Total Revenues</b>	<u>22,205,105</u>	<u>12,974,446</u>	<u>14,059,545</u>	<u>13,766,011</u>	<u>36,264,650</u>	<u>26,740,457</u>
<b>Expenses:</b>						
General Government	2,805,622	2,824,243	-	-	2,805,622	2,824,243
Public Safety	6,087,949	6,260,490	-	-	6,087,949	6,260,490
Transportation	2,801,049	2,663,961	-	-	2,801,049	2,663,961
Sanitation	-	-	3,072,841	2,775,028	3,072,841	2,775,028
Culture & Recreation	1,973,761	2,688,333	-	-	1,973,761	2,688,333
Interest on Long-Term Debt	402,106	260,298	-	-	402,106	260,298
Water & Sewer	-	-	7,301,631	7,662,967	7,301,631	7,662,967
<b>Total Expenses</b>	<u>14,070,486</u>	<u>14,697,325</u>	<u>10,374,472</u>	<u>10,437,995</u>	<u>24,444,958</u>	<u>25,135,320</u>
Increase/(Decrease) in Net Position Before Transfers	8,134,619	(1,722,879)	3,685,073	3,328,016	11,819,692	1,605,137
Transfers	1,966,497	1,282,710	(1,966,497)	(1,282,710)	-	-
Increase/(Decrease) in Net Position	10,101,116	(440,169)	1,718,576	2,045,306	11,819,692	1,605,137
Net Position - Beginning	23,125,551	23,565,720	23,759,096	21,713,790	46,884,647	45,279,510
Prior Period Adjustment	401,000	-	(630,000)	-	(229,000)	-
<b>Net Position - Ending</b>	<u>\$ 33,627,667</u>	<u>23,125,551</u>	<u>24,847,672</u>	<u>23,759,096</u>	<u>58,475,339</u>	<u>46,884,647</u>

### Business-Type Activities

Business-Type Activities (after transfers) increased the City of Sulphur Springs' net position by \$1,718,576. This can be attributed to increases in charges for services as a result of increased utility consumption and a slight increase in utility service rates. Operating expenses were lower than budgeted due to decreased activity and overtime as a result of scheduling changes to mitigate Covid-19 exposure.

## Program Revenue Business Type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City of Sulphur Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Sulphur Springs' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Sulphur Springs' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the City of Sulphur Springs' governmental funds reported combined ending fund balance of \$8,459,602, an increase of \$3,624,474 from the prior year. The reasons for the increases in fund balance are issuance of almost \$3 million in debt for parks capital projects, grant revenue in the form of Covid-19 relief, better than expected sales tax revenue, and police asset forfeiture revenue. Of the current combined ending fund balance, a total of \$3,066,139 is restricted for construction, \$24,407 is restricted for debt service, \$106,708 is classified as nonspendable, \$1,208,819 is assigned, and the remaining \$4,053,529 is unassigned in the General Fund.

The general fund is the chief operating fund of the City of Sulphur Springs. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,053,529, which increased \$560,788 from the prior year. The increase in fund balance can be attributed to increases in ad valorem tax resulting from higher taxable property values, sales tax revenue being higher than anticipated, Covid-19 relief for public safety salaries, and decreases in expenditures due to cancelled or delayed events and projects. Total unassigned fund balance represents 21% of total general fund expenditures.

The airport fund has a total fund balance of \$267,683, which increased \$59,432 from the prior year. The increase in fund balance is a result of a Covid-19 relief grant and reduced expenditures resulting from decreased activity at the airport.

The debt service fund has a total fund balance of \$24,407, all of which is restricted for payment of debt service. The debt service fund had an increase of \$58 in fund balance from the prior year.

The Capital Project Funds have a total fund balance of \$3,115,917, of which all but \$75,417 (nonspendable for inventory) is restricted for construction. The increase in fund balance of \$2,692,003 represents proceeds from an almost \$3 million debt issuance for park projects, which began during the fiscal year.

**Proprietary Funds.** The City of Sulphur Springs proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise Fund at the end of the year amounted to \$5,916,195. The total increase in net position of the Enterprise Fund was \$1,718,576. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Sulphur Springs' business type activities.

### General Fund Budgetary Highlights

During the year, revenues were \$8,578,811 more than budgetary estimates and expenditures were \$8,117,550 more than budgetary estimates, both of which are a result of the \$8,890,090 in donated land. The budget had called for a \$526,338 increase in fund balance (prior to transfers, while actual results display an increase in fund balance of \$461,261).

### Capital Asset & Debt Administration

**Capital Assets.** The City of Sulphur Springs investment in capital assets for its governmental and business type activities as of September 30, 2020, amounts to \$88,999,189 (net of accumulated depreciation). This investment in capital assets includes land and right-of-way, lakes and dams, buildings, systems, improvements, and equipment.

Major capital asset events during the current fiscal year included the following:

- Governmental activity:
  - Donated land valued at \$8,890,090.
  - Construction Projects: Street improvements, Crosstown Trail, Grays Building, and Senior Center.
  - AC units (library), airfield lighting, Polaris police vehicle, and law enforcement training simulator.
- Business-Type activity:
  - Replacement of major sections of both the water distribution and sewer collection systems, completion of the Wastewater Treatment Plant, and a Freightliner Flush-Vac.

Additional information on the City of Sulphur Springs' capital assets can be found in the notes to the financial statements on pages 53 – 55 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Sulphur Springs had bonded debt outstanding of \$43,030,000. Of this amount, \$5,180,000 comprises General Obligation Bonds and \$37,850,000 represents Combination Tax and Revenue Bonds.

Additional information on the City of Sulphur Springs' long-term debt can be found in the notes to the financial statements on pages 56 – 59 of this report.

### **Economic Factors and Next Year's Budgets & Rates**

- Sales tax revenue will normally increase by at least the amount of inflation. In 2009, 2010 and in 2011 Sulphur Springs saw a contraction though modest of total sales tax revenue. The last half of FY 2012 and all of FY 2013 (increase of 10.7%) finally brought on a recovery. FY 2014 - FY 2016 continued to grow but more modestly at 3.4%, 4.3% and 5.1% respectively. Sales Tax Revenue regressed to no change in FY 2017. Sales tax increased 10.17% in 2018, 7.17% in 2019, and 4.62% in 2020.
- Typically, the City of Sulphur Springs only budgets for the next year what it receives in Sales Tax Revenue for the preceding year, saving any good news for the next year as well as to better protect against contraction. That will continue to be true going into FY 2021.
- The FY 2021 budget uses \$377,845 of general fund balance which is being used for transfers to the Capital Fund, and equipment and vehicle purchases. Property tax rates stay the same at the long-term historical level of 44 cents per hundred. Water rates, Sewer rates, and Sanitation rates remained unchanged from FY 2020. Employees were given a 1.00% raise.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Sulphur Springs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 125 S. Davis, City of Sulphur Springs, Texas 75482.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SULPHUR SPRINGS**

Statement of Net Position  
September 30, 2020

	Primary Government			Component Unit Economic Development
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 8,093,899	4,269,697	12,363,596	5,245,908
Investments	-	-	-	-
Restricted Cash & Cash Equivalents	-	2,227,432	2,227,432	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	1,192,516	1,192,516	-
Delinquent Property Taxes	160,965	-	160,965	-
Other Taxes	643,182	19,073	662,255	184,284
Other	644,156	435,797	1,079,953	149,363
Notes Receivable	-	-	-	3,024,032
Inventory	95,703	95,298	191,001	-
Prepaid Items	11,005	-	11,005	30,933
Capital Assets Not Being Depreciated				
Land & Right of Way	9,857,180	1,452,760	11,309,940	1,775,575
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	1,324,057	564,592	1,888,649	281,645
Capital Assets (Net of Accumulated Depreciation):				
Building, Systems & Improvements	13,824,845	37,799,073	51,623,918	16,001,286
Furniture & Equipment	1,312,179	708,314	2,020,493	3,371
Infrastructure	17,052,504	-	17,052,504	-
Total Assets	<u>53,019,675</u>	<u>51,795,370</u>	<u>104,815,045</u>	<u>26,696,397</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred Outflows - TMRS Pension	503,249	172,185	675,434	-
Deferred Outflows - TMRS OPEB	82,900	28,364	111,264	-
Deferred Outflows - Other	-	123,145	123,145	-
Total Deferred Outflow of Resources	<u>586,149</u>	<u>323,694</u>	<u>909,843</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>53,605,824</u>	<u>52,119,064</u>	<u>105,724,888</u>	<u>26,696,397</u>
<b>LIABILITIES</b>				
Accounts Payable	585,593	288,727	874,320	17,464
Deposits	-	555,608	555,608	-
Accrued Interest Payable	52,887	49,299	102,186	-
Noncurrent Liabilities:				
Due Within One Year	1,880,974	1,757,156	3,638,130	1,080,408
Due in More than One Year	13,942,617	23,417,596	37,360,213	8,776,727
Net Pension Liability	1,893,646	647,899	2,541,545	-
Net OPEB Liability	474,720	162,422	637,142	-
Total Liabilities	<u>18,830,437</u>	<u>26,878,707</u>	<u>45,709,144</u>	<u>9,874,599</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - TMRS Pension	1,124,135	384,615	1,508,750	-
Deferred Inflows - TMRS OPEB	23,585	8,070	31,655	-
Deferred Inflows - Other	-	-	-	85,931
Total Deferred Inflows of Resources	<u>1,147,720</u>	<u>392,685</u>	<u>1,540,405</u>	<u>85,931</u>
Total Liabilities & Deferred Inflows	<u>19,978,157</u>	<u>27,271,392</u>	<u>47,249,549</u>	<u>9,960,530</u>
<b>NET POSITION</b>				
Net Invested in Capital Assets	27,907,035	18,515,436	46,422,471	7,718,268
Restricted for:				
Debt Service	24,407	416,041	440,448	-
Economic Development	-	-	-	85,931
Unrestricted	5,696,225	5,916,195	11,612,420	8,931,668
Total Net Position	<u>\$ 33,627,667</u>	<u>24,847,672</u>	<u>58,475,339</u>	<u>16,735,867</u>

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



**CITY OF SULPHUR SPRINGS**  
Statement of Activities  
For the Year Ended September 30, 2020

<b>Functions/Programs</b>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,805,622	142,131	61,553	-
Public Safety	6,087,949	707,506	754,364	-
Transportation	2,801,049	942,259	-	49,077
Culture & Recreation	1,973,761	4,871	111,714	153,312
Interest & Fiscal Charges	402,106	-	-	-
Total Governmental Activities	14,070,486	1,796,767	927,631	202,389
Business-Type Activities:				
Water & Sewer	7,301,631	9,984,359	-	-
Sanitation	3,072,841	3,818,364	-	-
Total Business-Type Activities	10,374,472	13,802,723	-	-
Total Primary Government	24,444,958	15,599,490	927,631	202,389
<b>Component Unit:</b>				
Economic Development	2,185,191	-	-	-
Total Component Unit	\$ 2,185,191	-	-	-

General Revenues:  
Property Taxes  
Sales Taxes  
Franchise Taxes  
Alcoholic Beverage Taxes  
Unrestricted Investment Earnings  
Miscellaneous Revenue  
Transfers  
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning  
Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
(2,601,938)		(2,601,938)	
(4,626,079)		(4,626,079)	
(1,809,713)		(1,809,713)	
(1,703,864)		(1,703,864)	
<u>(402,106)</u>		<u>(402,106)</u>	
<u>(11,143,699)</u>		<u>(11,143,699)</u>	
	2,682,728	2,682,728	
	<u>745,523</u>	<u>745,523</u>	
	<u>3,428,251</u>	<u>3,428,251</u>	
<u>(11,143,699)</u>	<u>3,428,251</u>	<u>(7,715,448)</u>	
			<u>(2,185,191)</u>
			<u>(2,185,191)</u>
4,360,753	-	4,360,753	-
4,555,815	-	4,555,815	2,297,452
1,107,672	-	1,107,672	-
40,060	-	40,060	-
64,432	99,134	163,566	116,070
9,149,586	157,688	9,307,274	1,595,767
<u>1,966,497</u>	<u>(1,966,497)</u>	<u>-</u>	<u>-</u>
<u>21,244,815</u>	<u>(1,709,675)</u>	<u>19,535,140</u>	<u>4,009,289</u>
10,101,116	1,718,576	11,819,692	1,824,098
23,125,551	23,759,096	46,884,647	14,911,769
<u>401,000</u>	<u>(630,000)</u>	<u>(229,000)</u>	<u>-</u>
<u>33,627,667</u>	<u>24,847,672</u>	<u>58,475,339</u>	<u>16,735,867</u>

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

**CITY OF SULPHUR SPRINGS**

Balance Sheet  
Governmental Funds  
September 30, 2020

	General Fund	Airport Fund	Debt Service Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 3,281,792	164,435	24,407
Investments	-	-	-
Receivables (Net of Allowance for Uncollectibles):			
Delinquent Property Taxes	136,069	-	24,896
Other Taxes	643,182	-	-
Other	489,689	73,824	-
Inventory	-	20,286	-
Prepaid Items	-	11,005	-
Total Assets	<u>4,550,732</u>	<u>269,550</u>	<u>49,303</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	349,088	1,867	-
Total Liabilities	<u>349,088</u>	<u>1,867</u>	<u>-</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Revenue Property Taxes	148,115	-	24,896
Total Deferred Inflow of Resources	<u>148,115</u>	<u>-</u>	<u>24,896</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventory	-	20,286	-
Prepaid Items	-	11,005	-
Restricted:			
Debt Service	-	-	24,407
Capital Projects	-	-	-
Assigned:			
Tourism	-	-	-
Police Contingency	-	-	-
Revolving Loan Fund	-	-	-
Airport Contingency	-	236,392	-
Unassigned	4,053,529	-	-
Total Fund Balances	<u>4,053,529</u>	<u>267,683</u>	<u>24,407</u>
 Total Liabilities, Deferred Inflows, & Fund Balances	 <u>\$ 4,550,732</u>	 <u>269,550</u>	 <u>49,303</u>

Capital Project Funds	Street Improvement Fund	Special Revenue Funds	Total Governmental Funds
3,126,406	(15,013)	939,270	7,521,297
-	-	-	-
-	-	-	160,965
-	-	-	643,182
-	40,652	39,991	644,156
75,417	-	-	95,703
-	-	-	11,005
<u>3,201,823</u>	<u>25,639</u>	<u>979,261</u>	<u>9,076,308</u>
85,906	-	6,834	443,695
<u>85,906</u>	<u>-</u>	<u>6,834</u>	<u>443,695</u>
-	-	-	173,011
<u>-</u>	<u>-</u>	<u>-</u>	<u>173,011</u>
75,417	-	-	95,703
-	-	-	11,005
-	-	-	24,407
3,040,500	25,639	-	3,066,139
-	-	245,780	245,780
-	-	599,385	599,385
-	-	127,262	127,262
-	-	-	236,392
-	-	-	4,053,529
<u>3,115,917</u>	<u>25,639</u>	<u>972,427</u>	<u>8,459,602</u>
<u>3,201,823</u>	<u>25,639</u>	<u>979,261</u>	<u>9,076,308</u>

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**CITY OF SULPHUR SPRINGS**

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
September 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$ 8,459,602
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consideration is to increase net position.	430,704
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$55,031,441 and the accumulated depreciation was \$(20,258,731). In addition, long-term liabilities, including bonds payable of \$(14,009,653), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	20,763,057
Current year capital outlays of \$10,628,927 and long-term debt principal payments of \$1,485,923 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	12,114,850
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.	(52,887)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,023,864)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$(1,893,646), a deferred resource inflow in the amount of \$(1,124,135), and a deferred resource outflow in the amount of \$503,249. The net effect of the GASB 68 adjustment is to decrease net position.	(2,514,532)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(474,720), and a deferred resource inflow in the amount of \$(23,585), and a deferred resource outflow in the amount of \$82,900. The net effect of the GASB 75 adjustment is to decrease net position.	(415,405)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, recognizing the liabilities associated with compensated absences, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the gain or loss on disposal of capital assets. The net effect of these reclassifications is to increase net position.	<u>(3,133,858)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 33,627,667</u>

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

**CITY OF SULPHUR SPRINGS**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2020

	General Fund	Airport Fund	Debt Service Fund
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,703,504	-	675,841
Sales	4,405,088	-	-
Franchise	1,107,672	-	-
Alcoholic Beverage	40,060	-	-
Licenses & Permits	142,131	-	-
Intergovernmental	39,375	49,077	-
Charges for Services	4,871	436,671	-
Fines & Forfeitures	800,920	-	-
Interest	39,524	1,784	3,280
Grants & Contributions	667,883	-	-
In-Kind	8,890,090	-	-
Miscellaneous	205,809	54,937	-
Total Revenues	<u>20,046,927</u>	<u>542,469</u>	<u>679,121</u>
<b>EXPENDITURES</b>			
Current:			
General Government	2,496,083	-	-
Public Safety	5,511,021	-	-
Transportation	656,500	425,409	-
Culture & Recreation	1,225,570	-	-
Capital Outlay	9,170,154	102,628	-
Debt Service:			
Principal	-	-	1,485,923
Interest & Fiscal Charges	-	-	469,334
Total Expenditures	<u>19,059,328</u>	<u>528,037</u>	<u>1,955,257</u>
Excess/(Deficiency) of Revenues			
Over/(Under) Expenditures	<u>987,599</u>	<u>14,432</u>	<u>(1,276,136)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,684,151	45,000	1,276,194
Transfers Out	(2,110,962)	-	-
Issuance of Debt	-	-	-
Other Financing Source - Bond Premium	-	-	-
Other Financing Uses - Cost of Issuance	-	-	-
Total Other Financing Sources (Uses)	<u>(426,811)</u>	<u>45,000</u>	<u>1,276,194</u>
Net Change in Fund Balances	560,788	59,432	58
Fund Balances - Beginning	<u>3,492,741</u>	<u>208,251</u>	<u>24,349</u>
Fund Balances - Ending	<u>\$ 4,053,529</u>	<u>267,683</u>	<u>24,407</u>

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

Capital Project Funds	Street Improvement Fund	Special Revenue Funds	Total Governmental Funds
-	-	38,721	4,418,066
-	-	150,727	4,555,815
-	-	-	1,107,672
-	-	-	40,060
-	-	-	142,131
153,312	-	126,034	367,798
-	505,588	-	947,130
-	-	335,171	1,136,091
8,635	358	5,962	59,543
47,106	-	47,233	762,222
-	-	-	8,890,090
-	-	1,740	262,486
<u>209,053</u>	<u>505,946</u>	<u>705,588</u>	<u>22,689,104</u>
-	-	-	2,496,083
-	-	161,876	5,672,897
692,712	-	-	1,774,621
285,967	-	91,302	1,602,839
555,787	495,861	-	10,324,430
-	-	-	1,485,923
-	-	-	469,334
<u>1,534,466</u>	<u>495,861</u>	<u>253,178</u>	<u>23,826,127</u>
<u>(1,325,413)</u>	<u>10,085</u>	<u>452,410</u>	<u>(1,137,023)</u>
1,536,919	-	130,545	4,672,809
(519,503)	-	(280,847)	(2,911,312)
2,940,000	-	-	2,940,000
156,194	-	-	156,194
(96,194)	-	-	(96,194)
<u>4,017,416</u>	<u>-</u>	<u>(150,302)</u>	<u>4,761,497</u>
2,692,003	10,085	302,108	3,624,474
<u>423,914</u>	<u>15,554</u>	<u>670,319</u>	<u>4,835,128</u>
<u>3,115,917</u>	<u>25,639</u>	<u>972,427</u>	<u>8,459,602</u>



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**CITY OF SULPHUR SPRINGS**

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended September 30, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 3,624,474
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The net loss of the internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(221,686)
Current year capital outlays of \$10,628,927 and long-term debt principal payments of \$1,485,923, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	12,114,850
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.	7,228
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net position.	(2,023,864)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$339,748. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(340,664). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(360,015). The net effect of the GASB 68 adjustment is to decrease net position.	(360,931)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$10,872. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(10,901). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$(34,605). The net effect of the GASB 75 adjustment is to decrease net position.	(34,634)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue, recognizing the liabilities associated with compensated absences and changes in unfunded pension obligation. The net effect of these reclassifications is to decrease net position.	<u>(3,004,321)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 10,101,116</u></u>

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

**CITY OF SULPHUR SPRINGS**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
General Fund

For the Fiscal Year Ended September 30, 2020

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,651,421	3,703,504	52,083
Sales	4,300,000	4,405,088	105,088
Franchise	1,095,000	1,107,672	12,672
Alcoholic Beverages	45,000	40,060	(4,940)
License & Permits	153,450	142,131	(11,319)
Intergovernmental	29,500	39,375	9,875
Charges for Services	2,500	4,871	2,371
Fines & Forfeitures	881,800	800,920	(80,880)
Interest	80,000	39,524	(40,476)
Grants & Contributions	890,945	667,883	(223,062)
In-Kind	-	8,890,090	8,890,090
Miscellaneous	338,500	205,809	(132,691)
Total Revenues	<u>11,468,116</u>	<u>20,046,927</u>	<u>8,578,811</u>
<b>EXPENDITURES</b>			
General Government			
Administration	669,708	763,251	(93,543)
Finance & Tax	353,475	327,492	25,983
Municipal Court	539,542	495,660	43,882
Community Development	613,039	599,084	13,955
Maintenance - Purchasing	342,823	310,596	32,227
Department Capital	46,000	56,311	(10,311)
Contingency	480,000	-	480,000
Total General Government	<u>3,044,587</u>	<u>2,552,394</u>	<u>492,193</u>
Public Safety:			
Police	3,493,671	3,351,332	142,339
Fire	2,181,841	2,159,689	22,152
Department Capital	68,998	31,758	37,240
Total Public Safety	<u>5,744,510</u>	<u>5,542,779</u>	<u>201,731</u>
Transportation:			
Street	623,283	656,500	(33,217)
Department Capital	68,997	25,108	43,889
Total Transportation	<u>692,280</u>	<u>681,608</u>	<u>10,672</u>
Culture & Recreation:			
Library	334,909	301,181	33,728
Parks & Recreation	670,336	642,837	27,499
Downtown	377,356	281,552	95,804
Department Capital	77,800	9,056,977	(8,979,177)
Total Culture & Recreation	<u>1,460,401</u>	<u>10,282,547</u>	<u>(8,822,146)</u>
Total Expenditures	<u>10,941,778</u>	<u>19,059,328</u>	<u>(8,117,550)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 526,338</u>	<u>987,599</u>	<u>461,261</u>

**CITY OF SULPHUR SPRINGS**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Fiscal Year Ended September 30, 2020  
*continued*

	Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	\$ 1,684,151	1,684,151	-
Transfer Out	(2,110,962)	(2,110,962)	-
Total Other Financing Sources/(Uses)	<u>(426,811)</u>	<u>(426,811)</u>	<u>-</u>
Net Change in Fund Balances	99,527	560,788	461,261
Fund Balances - Beginning	<u>3,492,741</u>	<u>3,492,741</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 3,592,268</u>	<u>4,053,529</u>	<u>461,261</u>

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

**CITY OF SULPHUR SPRINGS**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 Airport Fund  
 For the Fiscal Year Ended September 30, 2020

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 50,000	49,077	(923)
Charges for Services	530,005	436,671	(93,334)
Interest	2,258	1,784	(474)
Miscellaneous	3,810	54,937	51,127
Total Revenues	<u>586,073</u>	<u>542,469</u>	<u>(43,604)</u>
<b>EXPENDITURES</b>			
Transportation	519,499	425,409	94,090
Capital Outlay	100,000	102,628	(2,628)
Total Expenditures	<u>619,499</u>	<u>528,037</u>	<u>91,462</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(33,426)</u>	<u>14,432</u>	<u>47,858</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	45,000	45,000	-
Transfer Out	-	-	-
Total Other Financing Sources/(Uses)	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Net Change in Fund Balances	11,574	59,432	47,858
Fund Balances - Beginning	<u>208,251</u>	<u>208,251</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 219,825</u>	<u>267,683</u>	<u>47,858</u>

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

**CITY OF SULPHUR SPRINGS**

Statement of Net Position

Proprietary Fund

September 30, 2020

	Business-Type Activities		Governmental
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
<b>ASSETS</b>			
Current Assets:			
Cash & Cash Equivalents	\$ 4,269,697	5,785,831	572,602
Investments	-	-	-
Restricted Cash & Cash Equivalents	2,227,432	2,567,904	-
Receivables (Net of Allowance of Uncollectibles)			
Utility Bills	1,192,516	844,259	-
Sales Taxes	19,073	14,455	-
Other	435,797	221,327	-
Inventory	95,298	147,014	-
Prepaid Items	-	28,362	-
Total Current Assets	<u>8,239,813</u>	<u>9,609,152</u>	<u>572,602</u>
Noncurrent Assets:			
Capital Assets:			
Land & Right-of-Way	1,452,760	1,452,760	-
Lakes	401,408	401,408	-
Dams/Spillways/Appurtenances	2,629,410	2,629,410	-
Buildings & Systems	64,602,188	42,107,133	-
Equipment	3,066,383	3,175,344	-
Construction in Progress	564,592	21,247,328	-
Less: Accumulated Depreciation	<u>(29,161,184)</u>	<u>(27,858,960)</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>43,555,557</u>	<u>43,154,423</u>	<u>-</u>
Total Noncurrent Assets	<u>43,555,557</u>	<u>43,154,423</u>	<u>-</u>
Total Assets	<u>51,795,370</u>	<u>52,763,575</u>	<u>572,602</u>
Deferred Outflow of Resources:			
Deferred Outflows - TMRS Pension	172,185	711,411	-
Deferred Outflows - TMRS OPEB	28,364	10,244	-
Deferred Outflows - Other	<u>123,145</u>	<u>134,173</u>	<u>-</u>
Total Deferred Outflow of Resources	<u>323,694</u>	<u>855,828</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>\$ 52,119,064</u>	<u>53,619,403</u>	<u>572,602</u>

**CITY OF SULPHUR SPRINGS**

Statement of Net Position

Proprietary Fund

September 30, 2020

*continued*

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 288,727	1,322,077	141,898
Deposits	555,608	529,693	-
Accrued Interest	49,299	49,299	-
Compensated Absences Payable	134,631	134,631	-
Current Portion of Revenue Certificates of Obligation Payable	1,077,525	1,065,715	-
Current Portion of General Obligation Enterprise Bonds Payable	545,000	560,000	-
Total Current Liabilities	<u>2,650,790</u>	<u>3,661,415</u>	<u>141,898</u>
Noncurrent Liabilities:			
Revenue Certificates of Obligation Payable	22,037,596	23,115,121	-
General Obligation Bonds Payable	1,380,000	1,495,000	-
Net Pension Liability	647,899	1,395,824	-
Net OPEB Liability	162,422	132,737	-
Total Noncurrent Liabilities	<u>24,227,917</u>	<u>26,138,682</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - TMRS Pension	384,615	52,426	-
Deferred Inflows - TMRS OPEB	8,070	7,784	-
Deferred Inflows - Other	-	-	-
Total Deferred Inflows of Resources	<u>392,685</u>	<u>60,210</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>27,271,392</u>	<u>29,860,307</u>	<u>141,898</u>
<b>NET POSITION</b>			
Net Invested in Capital Assets	18,515,436	16,918,587	-
Restricted for:			
Revenue Bond Current Debt Service	416,041	435,333	-
Unrestricted	5,916,195	6,405,176	430,704
Total Net Position	<u>\$ 24,847,672</u>	<u>23,759,096</u>	<u>430,704</u>

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

**CITY OF SULPHUR SPRINGS**

Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2020

	Business-Type Activities		Governmental
	Enterprise	Enterprise	Internal
	Fund	Fund	Service
	Current Year	Prior Year	Fund
<b>OPERATING REVENUES</b>			
Charges for Sales & Services	\$ -	-	1,312,560
Water Sales	5,395,662	5,015,176	-
Sewer Charges	4,189,812	4,219,882	-
Sanitation Charges	3,818,364	3,448,700	-
Service Charges	70,870	131,041	-
Water & Sewer Connections	74,806	76,475	-
Intergovernmental	253,209	490,315	-
Miscellaneous Revenues	157,688	143,943	8,218
Total Operating Revenues	<u>13,960,411</u>	<u>13,525,532</u>	<u>1,320,778</u>
<b>OPERATING EXPENSES</b>			
Cost of Sales & Services	-	-	1,664,955
Administration	-	-	84,408
Personnel Services	2,595,726	2,853,048	-
Supplies	1,154,325	1,193,856	-
Contractual Services	4,582,036	4,542,374	-
Depreciation	1,568,010	1,334,998	-
Total Operating Expenses	<u>9,900,097</u>	<u>9,924,276</u>	<u>1,749,363</u>
Operating Income (Loss)	<u>4,060,314</u>	<u>3,601,256</u>	<u>(428,585)</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Interest Revenue	99,134	238,969	4,889
Interest Expense & Fiscal Charges	(474,375)	(513,719)	-
Insurance Proceeds	-	-	65,074
Insurance Claim Expenses	-	-	(68,064)
Total Nonoperating Revenues (Expenses)	<u>(375,241)</u>	<u>(274,750)</u>	<u>1,899</u>
Net Income/(Loss) Before Transfers	3,685,073	3,326,506	(426,686)
Transfers In	-	648,117	205,000
Transfers Out	(1,966,497)	(1,930,827)	-
Bonded Debt Proceeds	-	1,510	-
Change in Net Position	1,718,576	2,045,306	(221,686)
Net Position - Beginning	23,759,096	21,713,790	652,390
Prior Period Adjustment	(630,000)	-	-
Net Position - Ending	<u>\$ 24,847,672</u>	<u>23,759,096</u>	<u>430,704</u>

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



**CITY OF SULPHUR SPRINGS**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2020

	Business-Type Activities		Governmental
	Enterprise	Enterprise	Activities
	Fund	Fund	Internal
	Current Year	Prior Year	Service
			Fund
Cash Flows from Operating Activities:			
Cash Received from Customers & Users	\$ 13,418,981	13,563,242	1,320,778
Cash Payments to Suppliers for Goods & Services	(6,689,633)	(5,673,204)	(1,713,504)
Cash Payments to Employees for Services	(2,449,357)	(2,575,523)	-
Net Cash Provided/(Used) by Operating Activities	<u>4,279,991</u>	<u>5,314,515</u>	<u>(392,726)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	(1,966,497)	(1,930,827)	-
Transfers from Other Funds	-	648,117	205,000
Insurance Proceeds, Net	-	-	(2,990)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(1,966,497)</u>	<u>(1,282,710)</u>	<u>202,010</u>
Cash Flows from Capital & Related Financing Activities:			
Acquisition & Construction of Capital Assets	(1,960,967)	(5,155,706)	-
Gain on Disposal of Assets	2,851	-	-
Principal Paid on Bonds	(1,825,715)	(2,494,770)	-
Interest Paid on Debt	(474,375)	(512,209)	-
Net Cash Provided/(Used) by Capital & Related Financing Activities	<u>(4,258,206)</u>	<u>(8,162,685)</u>	<u>-</u>
Cash Flows from Investing Activities:			
Proceeds from Sale of Investments	(11,028)	2,229,754	-
Interest on Deposits & Investments	99,134	238,969	4,889
Net Cash Provided/(Used) by Investing Activities	<u>88,106</u>	<u>2,468,723</u>	<u>4,889</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,856,606)	(1,662,157)	(185,827)
Cash & Cash Equivalents - Beginning	<u>8,353,735</u>	<u>10,015,892</u>	<u>758,429</u>
Cash & Cash Equivalents - Ending	<u>\$ 6,497,129</u>	<u>8,353,735</u>	<u>572,602</u>

**CITY OF SULPHUR SPRINGS**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2020  
*continued*

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income/(Loss)	\$ 4,060,314	3,601,256	(428,585)
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities</b>			
Depreciation Expense	1,568,010	1,334,998	-
(Increase)/Decrease in Accounts Receivable	(348,257)	67,230	-
(Increase)/Decrease in Sales Tax Receivable	(4,618)	(591)	-
(Increase)/Decrease in Other Receivables	(214,470)	(56,501)	-
(Increase)/Decrease in Inventory	51,716	37,005	-
(Increase)/Decrease in Prepaid Expenses	28,362	(28,362)	-
(Increase)/Decrease in Deferred Outflows	532,134	(523,266)	-
Increase/(Decrease) in Accounts Payable	(1,033,350)	54,383	35,859
Increase/(Decrease) in Customer Deposits	25,915	27,572	-
Increase/(Decrease) in Compensated Absences	-	9,404	-
Increase/(Decrease) in Net Pension Liability	(747,925)	1,066,405	-
Increase/(Decrease) in Net OPEB Liability	29,685	(1,330)	-
Increase/(Decrease) in Deferred Inflows	332,475	(273,688)	-
Total Adjustments	219,677	1,713,259	35,859
Net Cash Provided/(Used) by Operating Activities	\$ 4,279,991	5,314,515	(392,726)

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

**CITY OF SULPHUR SPRINGS**  
Statement of Fiduciary Net Position  
Private Purpose Trust Funds  
September 30, 2020

**ASSETS**

Cash & Cash Equivalents	\$ 44,473
Total Assets	<u>44,473</u>

**LIABILITIES**

Accounts Payable	<u>15,031</u>
Total Liabilities	<u>15,031</u>

**NET POSITION**

Net Position Restricted for Pensions	<u>\$ 29,442</u>
--------------------------------------	------------------

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

**CITY OF SULPHUR SPRINGS**  
Statement of Changes in Fiducirary Net Position  
Private Purpose Trust Funds  
For the Fiscal Year Ended September 30, 2020

**ADDITIONS**

Contributions	\$ 216,857
Interest Income	74
Total Additions	216,931

**DEDUCTIONS**

General Government	198,455
Total Deductions	198,455

Change in Net Position	18,476
Net Position, Beginning	10,966
Net Position, Ending	\$ 29,442

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

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Sulphur Springs, Texas, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**Reporting Entity**

The government is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

*Discretely Presented Component Unit.* The Sulphur Springs Hopkins County Economic Development Corporation (EDC) serves all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within the geographic boundaries of the government. The EDC is presented as a governmental fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administration offices.

**Sulphur Springs Hopkins County  
Economic Development Corporation**

1200 Enterprise Lane  
Sulphur Springs, Texas 75482

**Government – Wide & Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Measurement Focus, Basis of Accounting & Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *special revenue fund* accounts for revenues that are legally restricted for particular purposes, such as airport, tax increment financing, and tourism. The government's major special revenue fund is used to account for activity related to the City airport. The airports major revenue sources are fuel sales and hangar rentals.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The government reports the following proprietary funds:

- The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.
- The *internal service fund* accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The government's internal service fund is for self-insurance.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Measurement Focus, Basis of Accounting & Financial Statement Presentation** *(continued)*

Additionally, the government reports the following private purpose trust funds:

- The *volunteer firemen pension fund* is used to account for dues and contributions that are received pursuant to a trust agreement that restricts the use of those dues and contributions to providing payments to volunteer firemen. This was a volunteer single-employer defined contribution plan for volunteer fire fighters before the City established a fire department. No contributions are being made into the plan and once assets are depleted the plan will be closed.
- The *deferred compensation plan fund* is used to account for employee contributions and employers match to an employee supplemental retirement plan. This is a volunteer single-employer defined contribution plan established under section 457(b) of the Internal Revenue Code. The 457 plan is a 67% match with the maximum city participation at \$335 per month. Total City contributions were \$197,229.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Deposits & Investments**

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments.

**Short – Term Inter-Fund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables." There were no inter-fund balances as of September 30, 2020.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Inventories & Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	30-40
Building Improvements	20-30
Street Infrastructure	10-30
System Infrastructure	15-25
Equipment	5-10
Vehicles	5-7

**Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Long – Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2020.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Manager to which the City Council delegates this authority. This delegation of authority was granted by ordinance.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the governmental funds.

When an expenditure is incurred for purposes 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 unassigned funds, then assigned funds, and finally committed funds, as needed.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Fund Equity** *(continued)*

As of September 30, 2020, fund balances are composed of the following:

	General Fund	Airport Fund	Debt Service Fund	Capital Projects Funds	Street Improvement Fund	Special Revenue Funds	Total Governmental Funds
Nonspendable:							
Inventory	\$ -	20,286	-	75,417	-	-	95,703
Prepaid Items	-	11,005	-	-	-	-	11,005
Restricted:							
Debt Service	-	-	24,407	-	-	-	24,407
Capital Projects	-	-	-	3,040,500	25,639	-	3,066,139
Assigned:							
Tourism	-	-	-	-	-	245,780	245,780
Police Contingency	-	-	-	-	-	599,385	599,385
Revolving Loan Fund	-	-	-	-	-	127,262	127,262
Airport	-	236,392	-	-	-	-	236,392
Unassigned	4,053,529	-	-	-	-	-	4,053,529
Total Fund Balances	<u>\$ 4,053,529</u>	<u>267,683</u>	<u>24,407</u>	<u>3,115,917</u>	<u>25,639</u>	<u>972,427</u>	<u>8,459,602</u>

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet & the Government – Wide Statement of Net position**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this (\$3,133,858) adjustment are as follows:

Long-Term Debt:	
Issuance of Bonds Payable	\$ (2,940,000)
Compensated Absences Payable	(359,861)
Deferred Revenue:	
To Remove the Uncollected Tax Levy from Deferred Revenue	173,011
Capital Assets	
Disposal of Capital Assets	<u>(7,008)</u>
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ (3,133,858)</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS** *(continued)*

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances & the Government – Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this (\$3,004,321) adjustment are as follows:

Long-Term Debt:	
Issuance of Bonds	\$ (2,940,000)
Taxes:	
To Move the Uncollected Tax Levy to Revenue	173,011
To Remove the Prior Year Tax Collections from Current Year Revenue	<u>(230,324)</u>
	(57,313)
Capital Assets:	
Disposal of Capital Assets	<u>(7,008)</u>
Net Adjustment to Decrease Net Changes in Fund Balance - Total	
Governmental Funds to Arrive at Changes in Net Assets of	
Governmental Activities	<u>\$ (3,004,321)</u>

**STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, special revenue fund (airport fund), and water and sewer fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds. Annual budgets are not adopted for non-major special revenue funds or the debt service fund.

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

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first Tuesday in September, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting and second reading of the budget ordinance is scheduled before October 1 to finalize the adoption of the new budget.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY** *(continued)*

**Budgetary Information** *(continued)*

5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Special Revenue Fund. No supplemental appropriations were made during the fiscal year for the General Fund or Special Revenue Fund.
6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the fiscal year.
7. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental funds are not budgeted.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or re-appropriated as part of the following year budget.

**Budget/GAAP Reconciliation**

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund:

	<u>Water &amp; Sewer Fund</u>
Net Position (Budget)	\$ 26,415,682
Depreciation	<u>(1,568,010)</u>
Net Position (GAAP)	<u>\$ 24,847,672</u>

**DEPOSITS & INVESTMENTS**

**Deposits** – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to \$250,000 or collateralized as required by State statutes at September 30, 2020. At year-end, the carrying amount of the City's demand deposits was a balance of \$587,015 – bank balance, \$1,081,217. The cash on hand carrying amount totaled \$2,390. The bank balance and certificates of deposits for the primary government were covered by FDIC insurance and collateral held in the City's name by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the EDC, a discretely presented component unit, was \$5,245,908 and the bank balance was \$5,083,448. Of the bank balance, \$500,000 was covered by federal depository insurance and \$2,205,382 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name. The remaining \$2,378,066 was uninsured at September 30, 2020.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**DEPOSITS & INVESTMENTS** *(continued)*

Investments – State statutes, city policies, and city resolutions authorize the City’s investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than “A” or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act.

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

Credit Risk is the risk that a security issuer may default on an interest or principal payment. It is the government’s policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexPool at year end was AAAM by Standard & Poor’s.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the government’s investment policy, and Government Code Chapter 2257 “Collateral for Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The government’s funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the government. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. The government’s policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the government to be held in a Safekeeping account in the government’s name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government’s policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the government’s investment in external investment pools is less than 60 days.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The government’s policy does not allow for any direct foreign investments, and therefore the government is not exposed to foreign currency risk.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**DEPOSITS & INVESTMENTS** *(continued)*

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the table below. Investment balances of such investments are as follows:

	September 30, 2020	Fair Value Measurements using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
<u>Cash &amp; Cash Equivalents:</u>				
Bank Deposits	\$ 589,405	-	-	-
Certificates of Deposit	500,000	-	-	-
Total Cash & Cash Equivalents	<u>1,089,405</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Investments measured at</u>				
<u>Amortized Costs:</u>				
Texpool	13,546,096	-	-	-
Total Investments	<u>13,546,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash & Investments	<u>\$ 14,635,501</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Investment Pools* are measured at amortized costs and are exempt from fair value reporting.

*U.S. Treasury Notes* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**DEPOSITS & INVESTMENTS** *(continued)*

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

**RECEIVABLES**

Receivables at September 30, 2020 consist of the following:

	General	Airport	Debt Service	Street Improvement	Special Revenue Funds	Enterprise	Total
Receivables:							
Utility Bills	\$ -	-	-	-	-	1,192,516	1,192,516
Delinquent Taxes	148,115	-	24,896	-	-	-	173,011
Sales Taxes	361,951	-	-	-	-	19,073	381,024
Alcoholic Beverage Taxes	7,894	-	-	-	-	-	7,894
Franchise Taxes	273,337	-	-	-	-	-	273,337
Grants	489,689	-	-	-	-	-	489,689
Other	-	73,824	-	40,652	39,991	435,797	590,264
Gross Receivables	1,280,986	73,824	24,896	40,652	39,991	1,647,386	3,107,735
Less: Allowance for Uncollectibles	(12,046)	-	-	-	-	-	(12,046)
Net Total Receivables	<u>\$ 1,268,940</u>	<u>73,824</u>	<u>24,896</u>	<u>40,652</u>	<u>39,991</u>	<u>1,647,386</u>	<u>3,095,689</u>

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

At September 30, 2020, the EDC had sales taxes receivable of \$184,284. No allowance for uncollectibles has been made.

**Notes Receivable – Economic Development Corporation**

On May 16, 2008, the Corporation sold certain real property and improvements for \$700,000 and financed the purchase. The loan is collateralized by the real property and improvements. The \$700,000 note is to be repaid in monthly payments of \$8,000 each beginning August 28, 2013 and continuing until November 28, 2020 with one final payment of \$4,000. The note was considered paid in full as of September 30, 2020.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**RECEIVABLES - Notes Receivable – Economic Development Corporation** *(continued)*

On November 17, 2016, the Corporation sold certain real property (technology center) for \$1,248,694 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments of \$249,739 beginning December 26, 2016 and continuing until December 25, 2020.

On December 7, 2016, the Corporation sold certain real property (a lot at the municipal airport) for \$280,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments beginning December 30, 2016 and continuing until December 30, 2027.

On November 1, 2017, the Corporation sold certain real property to Plant Process Fabricators for \$3,000,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in monthly payments of \$25,000, including 4.0% interest, beginning December 1, 2017 and continuing until October 1, 2030.

The Corporation has made loans to small and emerging enterprises in the local areas. The loans are being repaid in monthly installments, including interest compute at two percent, and are secured by specific equipment.

The following summarizes changes in the EDC notes receivable for the fiscal year.

Beginning Balance	Additions	Retirements	Ending Balance
\$ 3,538,406	25,000	(539,374)	\$ 3,024,032

**CAPITAL ASSETS**

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	943,938	8,913,242	-	9,857,180
Construction in Progress	1,157,587	1,131,764	(965,294)	1,324,057
Total Capital Assets Not Being Depreciated	2,101,525	10,045,006	(965,294)	11,181,237
Capital Assets Being Depreciated:				
Buildings & Improvements	20,998,501	987,674	-	21,986,175
Furniture & Equipment	5,537,580	96,030	(108,098)	5,525,512
Infrastructure	26,393,835	465,511	-	26,859,346
Total Capital Assets Being Depreciated	52,929,916	1,549,215	(108,098)	54,371,033
Less Accumulated Depreciation for:				
Buildings & Improvements	(7,496,111)	(665,219)	-	(8,161,330)
Furniture & Equipment	(3,938,454)	(375,969)	101,090	(4,213,333)
Infrastructure	(8,824,166)	(982,676)	-	(9,806,842)
Total Accumulated Depreciation	(20,258,731)	(2,023,864)	101,090	(22,181,505)
Total Capital Assets Being Depreciated, Net	32,671,185	(474,649)	(7,008)	32,189,528
Governmental Activities Net Investment in Capital Assets	\$ 34,772,710	9,570,357	(972,302)	43,370,765



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**CAPITAL ASSETS** *(continued)*

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,452,760	-	-	1,452,760
Lakes	401,408	-	-	401,408
Dam/Spillway	2,629,410	-	-	2,629,410
Construction in Progress	21,247,328	1,806,689	(22,489,425)	564,592
Total Capital Assets Not Being Depreciated	<u>25,730,906</u>	<u>1,806,689</u>	<u>(22,489,425)</u>	<u>5,048,170</u>
Capital Assets Being Depreciated:				
Buildings & Plant	42,107,133	22,495,055	-	64,602,188
Equipment	3,175,344	148,648	(257,609)	3,066,383
Total Capital Assets Being Depreciated	<u>45,282,477</u>	<u>22,643,703</u>	<u>(257,609)</u>	<u>67,668,571</u>
Less Accumulated Depreciation for:				
Buildings & Plant	(25,434,366)	(1,368,749)	-	(26,803,115)
Equipment	(2,424,594)	(188,233)	254,758	(2,358,069)
Total Accumulated Depreciation	<u>(27,858,960)</u>	<u>(1,556,982)</u>	<u>254,758</u>	<u>(29,161,184)</u>
Total Capital Assets Being Depreciated, Net	<u>17,423,517</u>	<u>21,086,721</u>	<u>(2,851)</u>	<u>38,507,387</u>
Business-Type Activities Net Investment in Capital Assets	<u>\$ 43,154,423</u>	<u>22,893,410</u>	<u>(22,492,276)</u>	<u>43,555,557</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 167,038
Public Safety	213,427
Transportation	1,410,992
Culture & Recreation	232,407
Total Depreciation Expense - Governmental Activities	<u>\$ 2,023,864</u>
Business-Type Activities: Water & Sewer	<u>\$ 1,556,982</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,556,982</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**CAPITAL ASSETS** *(continued)*

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

	Beginning Balance	Additions	Retirements	Ending Balance
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,775,575	-	-	1,775,575
Construction in Progress	250	3,212,145	(2,930,750)	281,645
Total Capital Assets Not Being Depreciated	<u>1,775,825</u>	<u>3,212,145</u>	<u>(2,930,750)</u>	<u>2,057,220</u>
Capital Assets Being Depreciated:				
Land Improvements	215,610	-	-	215,610
Buildings	17,392,199	2,930,750	(2,930,750)	17,392,199
Office Equipment	37,588	-	-	37,588
Total Capital Assets Being Depreciated	<u>17,645,397</u>	<u>2,930,750</u>	<u>(2,930,750)</u>	<u>17,645,397</u>
Less Accumulated Depreciation for:				
Land Improvements	-	(10,781)	-	(10,781)
Buildings	(1,160,938)	(434,804)	-	(1,595,742)
Office Equipment	(32,152)	(2,065)	-	(34,217)
Total Accumulated Depreciation	<u>(1,193,090)</u>	<u>(447,650)</u>	<u>-</u>	<u>(1,640,740)</u>
Total Capital Assets Being Depreciated, Net	<u>16,452,307</u>	<u>2,483,100</u>	<u>(2,930,750)</u>	<u>16,004,657</u>
Component Unit				
Net Investment in Capital Assets	<u>\$ 18,228,132</u>	<u>5,695,245</u>	<u>(5,861,500)</u>	<u>18,061,877</u>

**INTER-FUND TRANSFERS**

Inter-fund transfer activity for the year ended September 30, 2020, was as follows:

	<b>Transfers Out:</b>					Total
	General Fund	Capital Projects	Tax Increment Financing	Tourism	Water & Sewer Fund	
<b>Transfers In:</b>						
General Fund	\$ -	-	-	50,000	1,634,151	1,684,151
Airport Fund	20,000	15,000	-	-	10,000	45,000
Debt Service Fund	358,917	504,503	230,847	-	181,927	1,276,194
Capital Projects	1,500,992	-	-	-	35,927	1,536,919
Tax Incremental Financing	130,545	-	-	-	-	130,545
Internal Services Fund	100,508	-	-	-	104,492	205,000
Total	<u>\$ 2,110,962</u>	<u>519,503</u>	<u>230,847</u>	<u>50,000</u>	<u>1,966,497</u>	<u>4,877,809</u>

**Purpose of Transfers**

Each transfer represents a specific budgetary policy decision by the City Council. Starting with Fiscal Year 2005, the City Council assessed the three city utilities, Water, Sewer and Sanitation, all part of the Enterprise Fund, a franchise fee of 4% which is similar to franchise fees assessed on the other utilities such as electric, gas and communications. Thus, the Enterprise Fund sent the General Fund \$1,634,151, which includes its percentage of Administration, Finance, Planning, and Engineering. The General Fund transferred \$1,500,992 to the Capital Fund to pay for street and drainage projects. The Airport Fund received \$20,000 from the General Fund, \$15,000 from the Capital Fund, and \$10,000 from the Enterprise Fund to assist with operations as well as match grants for capital work. The transfers from the General, Capital, Tax Incremental Financing, and Enterprise Funds to the Debt Service Fund made specific debt service payments. The General Fund and Enterprise Fund transferred \$100,508 and \$104,492 respectively to the Internal Services Fund to pay for Property and Liability Insurance.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
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**LEASES**

On August 12, 2015, the City entered into a 60-month lease agreement with De Lage Landen for a copy machine. Payments are due monthly at a rate of \$188.

On November 12, 2015, the City entered into a 60-month lease agreement with Pitney Bowes for a postage machine. Payments are due quarterly at a rate of \$1,473.

On February 14, 2017, the City entered into a 60-month lease agreement with De Lage Landen for a copy machine. Payments are due monthly at a rate of \$269.

On August 15, 2018, the City entered into a 60-month lease agreement with Canon for a cassette feeding unit. Payments are due monthly at a rate of \$53.

On August 28, 2019, the City entered into two 48-month lease agreements with Enterprise for vehicles. The first leased vehicle is a 2019 Ford F-150. Payments are due monthly at a rate of \$486. The second leased vehicle is a 2019 Nissan Frontier. Payments are due monthly at a rate of \$363.

During the fiscal year ended September 30, 2020, the City entered into twenty-four 48-month lease agreements with Enterprise for vehicles. The lease term and monthly summary are as follows:

<u>Lease Term</u>		<u>Monthly</u>
11/01/19 - 11/01/23	One Vehicle	\$ 328
12/01/19 - 12/01/23	Four Vehicles	1,622
01/01/20 - 01/01/24	Twelve Vehicles	5,732
02/01/20 - 02/01/24	Two Vehicles	1,189
03/01/20 - 03/01/24	One Vehicle	607
04/01/20 - 04/01/24	Two Vehicles	1,105
05/01/20 - 05/01/24	Four Vehicles	2,399
		<u>\$ 12,982</u>

Future minimum lease payments for the fiscal years ending September 30 are as follows:

2021	\$ 170,576
2022	168,764
2023	164,861
2024	51,984
	<u>\$ 556,185</u>

**LONG-TERM DEBT**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. The government also issues revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

Long-term liability activity for the year ended September 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 13,780,653	2,940,000	(1,464,923)	15,255,730	1,498,113
Note Payable	229,000	-	(21,000)	208,000	23,000
	<u>14,009,653</u>	<u>2,940,000</u>	<u>(1,485,923)</u>	<u>15,463,730</u>	<u>1,521,113</u>
Compensated Absences	359,861	359,861	(359,861)	359,861	359,861
Totals	<u>\$ 14,369,514</u>	<u>3,299,861</u>	<u>(1,845,784)</u>	<u>15,823,591</u>	<u>1,880,974</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**LONG-TERM DEBT** *(continued)*

The bonds will be repaid by the debt service fund, while the note will be repaid by the general fund. Compensated absences will be liquidated by the general fund.

Bonds payable at September 30, 2020 are comprised of the following issues for the debt service fund:

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042. \$ 4,915,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,350,000 (93.37% Debt Service Fund portion) dated December 4, 2014 maturing serially July 1, 2016 to July 1, 2035. Interest rates range from 1.5% to 3.5%, payable January 1 and July 1 to July 1, 2035. 3,340,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,230,000 (20.92% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1, 650,730

General Obligation Refunding Bonds

A bond issue of \$3,505,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2039. Interest rates range from 3.00% to 4.00%, payable March 1 and September 1 to September 1, 2039. 3,255,000

Limited Tax Note

A tax note issue of \$445,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2022. Interest rates range from 1.85% to 1.91%, payable September 1 to September 1, 2022. 300,000

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042. 2,795,000

Combined Debt \$ 15,255,730

The annual requirements to amortize the long-term debt outstanding for the governmental funds as of September 30, 2020 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1,521,113	457,171	1,978,284
2022	1,564,493	419,125	1,983,618
2023	1,157,872	379,993	1,537,865
2024	1,196,252	348,659	1,544,911
2025	1,054,000	316,763	1,370,763
2025-2030	3,765,000	1,170,138	4,935,138
2031-2035	2,575,000	693,288	3,268,288
2036-2040	2,285,000	271,000	2,556,000
2041-2042	345,000	4,095,135	4,440,135
Totals	<u>\$ 15,463,730</u>	<u>8,151,269</u>	<u>23,614,999</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**LONG-TERM DEBT** *(continued)*

During the year ended September 30, 2020, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable	\$26,584,347	-	(1,810,077)	24,774,270	1,606,887
Compensated Absences	134,631	134,631	(134,631)	134,631	134,631
	26,718,978	134,631	(1,944,708)	24,908,901	1,741,518
Bond Premium	281,489	-	(15,638)	265,851	15,638
	<u>\$27,000,467</u>	<u>134,631</u>	<u>(1,960,346)</u>	<u>25,174,752</u>	<u>1,757,156</u>

Bonds payable at September 30, 2020 are comprised of the following issues for the Water and Sewer fund:

Combination Tax & Revenue Certificates of Obligation

A bond issue of \$4,800,000 dated September 1, 2011 maturing serially September 1, 2013 to September 1, 2032. Interest rates range from 2.00% to 3.50%, payable March 1 and September 1 to September 1, 2032.

\$ 2,970,000

General Obligation Refunding Bonds

A bond issue of \$1,755,000 dated August 1, 2012 maturing serially September 1, 2013 to September 1, 2022. Interest rates range from 2.00% to 2.20%, payable March 1 and September 1 to September 1, 2022.

375,000

Combination Tax & Revenue Certificates of Obligation

A bond issue of \$18,200,000 dated October 4, 2016 maturing serially September 1, 2017 to September 1, 2046. Interest rates range from 0.01% to 1.45%, payable March 1 and September 1 to September 1, 2046.

16,380,000

General Obligation Refunding Bonds

A bond issue \$1,555,000 dated August 17, 2017 maturing serially July 1, 2018 to July 1, 2027. Interest is 2.20%, payable January 1 and July 1 to July 1, 2027. These bonds were issued to redeem \$1,515,000 of Combination Tax and Revenue Refunding Bonds dated July 1, 2007.

1,120,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,230,000 (79.08% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1,

3,499,270

General Obligation Refunding Bonds

A bond issue of \$630,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2039. Interest rates range from 3.00% to 4.00%, payable March 1 and September 1 to September 1, 2039.

430,000

Combined Debt

\$24,774,270

These bonds will be repaid by the Water and Sewer Fund.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**LONG-TERM DEBT** *(continued)*

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2020 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1,606,887	441,383	2,048,270
2022	1,645,507	410,903	2,056,410
2023	1,159,128	377,699	1,536,827
2024	1,187,748	356,689	1,544,437
2025	1,110,000	333,889	1,443,889
2026-2030	5,375,000	1,336,643	6,711,643
2031-2035	4,685,000	850,793	5,535,793
2036-2040	3,745,000	463,090	4,208,090
2041-2045	3,525,000	205,608	3,730,608
2046	735,000	10,658	745,658
Totals	<u>\$24,774,270</u>	<u>4,787,354</u>	<u>29,561,624</u>

**Notes Payable – Economic Development Corporation**

During the year ended September 30, 2020, the following changes occurred in liabilities reported for the EDC:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 10,723,760	-	(866,625)	9,857,135	\$ 1,080,408
	<u>\$ 10,723,760</u>	<u>-</u>	<u>(866,625)</u>	<u>9,857,135</u>	<u>\$ 1,080,408</u>

On October 31, 2005, the Corporation purchased four tracts of land totaling approximately 352 acres from the Hopkins County Industrial Fund, Inc. The land was fully financed by the Fund through a note that bears no interest and is payable upon sale of the land by the Corporation. On September 12, 2014, the Corporation received a cash advance from the Hopkins County Industrial Fund, Inc. of \$400,000, which were to be added to the purchase price of the original tracts and paid back in accordance with the original agreement.

On May 18, 2017, the Corporation borrowed \$2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of \$21,051 (beginning June 1, 2017 and 24 monthly payments of \$8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

On February 20, 2019 the Corporation converted a revolving line of credit to a note payable of \$7,800,000, with an interest rate of 5.75%. On August 5, 2020, the Corporation refinanced the remaining note balance of \$6,795,507 to a seven-year term with a computed interest rate of 3.75%. The note is being repaid in monthly installment payments of \$92,274, including interest. The note will be paid in full after the final payment on August 5, 2027.

**RESTRICTED ASSETS**

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer Deposits	\$ 555,608
Accrued Interest Payable	49,299
Current Revenue CO's Payable	1,077,525
Current GO Bonds Payable	545,000
Total Restricted Assets	<u>\$ 2,227,432</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
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**RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

The government has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan. The risk financing fund is accounted for as an internal service fund where assets are set aside for claim settlements. A premium is charged to each fund that accounts for full-time employees. The total charge allocated to each of the funds (the allocation is based upon number of employees in each fund) is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims. Stop-loss coverage is \$80,000 per employee and \$1,520,899 in the aggregate.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the medical claims liability amounts in fiscal year 2020 were as follows:

	2020
Unpaid Claims, Beginning of Year	\$ 106,039
Incurred Claims (Including IBNR)	1,375,547
Claim Payments	(1,339,688)
Unpaid Claims, End of Year	\$ 141,898

**RETIREMENT SYSTEM – PENSION PLAN**

**Plan Description** - The City of Sulphur Springs participates as one of 888 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 that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**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.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**RETIREMENT SYSTEM – PENSION PLAN - Benefits Provided** *(continued)*

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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the city were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%, Transfers	100%, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

**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	125
Inactive Employees Entitled to but Not Yet Receiving Benefits	83
Active Employees	<u>145</u>
	353

**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 of Sulphur Springs were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.50% and 8.18% in calendar year 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2020 were \$628,565 and were equal to required contributions.

**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 – 2.5% per year
- Overall payroll growth – 2.75% per year, adjusted down for population declines, if any
- Investment Rate of Return – 6.75%, net of pension plan investment expense, including inflation



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
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**RETIREMENT SYSTEM – PENSION PLAN – Net Pension Liability** *(continued)*

Salary increases are 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 disable 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 31, 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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%
	<u>100.00%</u>	

***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.

**CITY OF SULPHUR SPRINGS**  
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**RETIREMENT SYSTEM – PENSION PLAN – Net Pension Liability** *(continued)*

**Changes in the Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$42,625,741	\$37,150,271	\$ 5,475,470
Changes for the Year:			
Service Cost	1,134,768	-	1,134,768
Interest	2,837,419	-	2,837,419
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	(142,855)	-	(142,855)
Changes of Assumptions	88,307	-	88,307
Contributions - Employer	-	636,073	(636,073)
Contributions - Employee	-	508,864	(508,864)
Net Investment Income	-	5,740,055	(5,740,055)
Benefit Payments, Including Refunds of Employee Contributions	(2,314,585)	(2,314,585)	-
Administrative Expenses	-	(32,453)	32,453
Other Changes	-	(975)	975
Net Changes	1,603,054	4,536,979	(2,933,925)
Balance at 12/31/2019	<u>\$44,228,795</u>	<u>\$41,687,250</u>	<u>\$ 2,541,545</u>

**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 have been 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 (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
City's Net Pension Liability	<u>\$ 7,974,711</u>	<u>\$ 2,541,545</u>	<u>\$ (2,002,471)</u>

**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](http://www.tmrs.com).

**Pension Expense and Deferred Outflows and Inflows of Resources** - For the year ended September 30, 2020, the City recognized pension expense in the amount of \$1,119,265. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ 152,112	\$ 212,524
Changes in Actuarial Assumptions	67,331	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	1,296,226
Contributions Subsequent to the Measurement Date	455,991	-
Total	<u>\$ 675,434</u>	<u>\$ 1,508,750</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**RETIREMENT SYSTEM – PENSION PLAN -**

**Pension Expense and Deferred Outflows and Inflows of Resources** *(continued)*

\$455,991 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2021	\$ (401,668)
2022	(368,716)
2023	130,285
2024	(649,208)
2025	-
Thereafter	-
	<u>\$ (1,289,307)</u>

**RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** - The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). SDBF is an unfunded multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Texas Municipal Retirement System (TMRS).

**OPEB Plan Fiduciary Net Position** - Detailed information about the TMRS SDBF’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. This report may be obtained at [www.tmr.com](http://www.tmr.com).

**Benefits Provided** – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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 another postemployment benefit and is a fixed amount of \$7,500.

**Contributions** – City contribution rates for the SDBF are established at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees for the City of Sulphur Springs were not required to contribute to the SDBF. The contribution rates for the City were 0.24% and 0.24% in calendar year 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2020 were \$19,655 and were equal to required contributions.

**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	92
Inactive Employees Entitled to but Not Yet Receiving Benefits	14
Active Employees	<u>145</u>
	251

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS** *(continued)*

**Actuarial Assumptions** - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Discount Rate*	2.75%
Retirees' share of benefit related costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - 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 3.0% 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.

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

Note: The actuarial assumption used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 – December 31, 2018.

**Total OPEB Liability** - The City's Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019.

	Increase/(Decrease)
	Total OPEB Liability
Balance at 12/31/2018	\$ 520,696
Changes for the Year:	
Service Cost	16,962
Interest	19,538
Change of Benefit Terms	-
Diff. Between Expected/Actual Experience	(8,906)
Changes of Assumptions	93,941
Contributions - Employer	-
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(5,089)
Administrative Expenses	-
Other Changes	-
Net Changes	<u>116,446</u>
Balance at 12/31/2019	<u>\$ 637,142</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS** *(continued)*

**Discount Rate Sensitivity Analysis** - The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate.

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
City's total OPEB Liability	\$ 756,774	\$ 637,142	\$ 541,977

**OPEB Expense and Deferred Outflows and Inflows of Resources** - For the year ended September 30, 2020, the City recognized OPEB expense in the amount of \$51,535. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ -	\$ 8,701
Changes in Actuarial Assumptions	96,672	22,954
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	14,592	-
Total	\$ 111,264	\$ 31,655

\$14,592 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended December 31,		
2021	\$	15,035
2022		15,035
2023		14,315
2024		9,157
2025		11,475
Thereafter		-
	\$	65,017

**TAX ABATEMENTS**

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property taxes and may include other incentive payments such as fee reductions or construction cost reimbursements. Economic Development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives. A summary of the tax abatements for the 2020 and 2019 tax years follow:

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2020

**TAX ABATEMENTS** *(continued)*

Company	Abatements		Begins	Ends
	2020 Tax Year	2019 Tax Year		
BEF Foods	\$ 29,347,814	30,474,294	2013	2022
CMH Manufacturing	3,200,000	3,200,000	2016	2020
Saputo Dairy Foods	41,624,385	-	2018	2027
Backstory Beverages	547,153	547,153	2019	2023
Backstory Beverages	352,857	352,857	2019	2023
Total	<u>\$ 75,072,209</u>	<u>\$ 34,574,304</u>		

**IN-KIND REVENUE**

In October 2018, the City signed a development agreement with Luminant Mining Company in which they agreed to deed 4,857 acres located just outside of the City limits to the City. On November 22, 2019, the transfer of the land was complete. Part of the agreement is that the City will annex the land into the City limits. The City Council annexed the City's land into the city limits on March 3, 2020. The value of the land was determined to be \$8,890,090. The donated land was recognized as In-Kind revenue and capital outlay within the general fund. The donation of this land provides the City and its citizens with significant possibilities in the near future such as industrial parks.

**PRIOR PERIOD ADJUSTMENT**

During fiscal year 2020, it was determined that \$630,000 in previously issued bonded debt, was classified as a business-type activity, when it was in fact a governmental activity. It was further noted, that long-term note payable was previously not reported on in the governmental activities within the government-wide financial statements. These adjustments will result in a restatement of beginning Net Position. The details are as follows:

Net Position Restatement	Governmental	Business-Type
Net Position - As Originally Reported	\$ 23,125,551	23,759,096
Transfer of Long-Term Debt	630,000	(630,000)
To recognize Note Payable	(229,000)	-
Net Position - Restated	<u>23,526,551</u>	<u>23,129,096</u>

**EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through March 5, 2021 the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SULPHUR SPRINGS**

Schedule of Changes in Net Pension Liability and Related Ratios  
For the Year Ended September 30, 2020

	Plan Year Ended December 31,			
	2019	2018	2017	2016
<b>Total Pension Liability</b>				
Service Cost	\$ 1,134,768	\$ 1,098,723	\$ 1,067,537	\$ 1,071,312
Interest (on the Total Pension Liability)	2,837,419	2,705,236	2,605,150	2,487,880
Changes of Benefit Terms	-	-	-	-
Difference Between Expected & Actual Experience	(142,855)	278,872	(235,957)	(97,651)
Change of Assumptions	88,307	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,314,585)</u>	<u>(1,970,603)</u>	<u>(1,968,528)</u>	<u>(1,476,121)</u>
Net Change in Total Pension Liability	1,603,054	2,112,228	1,468,202	1,985,420
Total Pension Liability - Beginning	<u>42,625,741</u>	<u>40,513,513</u>	<u>39,045,311</u>	<u>37,059,891</u>
Total Pension Liability - Ending (a)	<u>\$ 44,228,795</u>	<u>\$ 42,625,741</u>	<u>\$ 40,513,513</u>	<u>\$ 39,045,311</u>
 <b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 636,073	\$ 606,304	\$ 574,089	\$ 458,959
Contributions - Employee	508,864	491,599	479,074	478,977
Net Investment Income	5,740,055	(1,174,423)	4,888,366	2,268,525
Benefit Payments, Including Refunds of Employee Contributions	(2,314,585)	(1,970,603)	(1,968,528)	(1,476,121)
Administrative Expense	(32,453)	(22,706)	(25,337)	(25,624)
Other	<u>(975)</u>	<u>(1,186)</u>	<u>(1,286)</u>	<u>(1,381)</u>
Net Change in Plan Fiduciary Net Position	4,536,979	(2,071,015)	3,946,378	1,703,335
Plan Fiduciary Net Position - Beginning	<u>37,150,271</u>	<u>39,221,286</u>	<u>35,274,908</u>	<u>33,571,573</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 41,687,250</u>	<u>\$ 37,150,271</u>	<u>\$ 39,221,286</u>	<u>\$ 35,274,908</u>
Net Pension Liability - Ending (a) - (b)	\$ 2,541,545	\$ 5,475,470	\$ 1,292,227	\$ 3,770,403
Plan Fiduciary Net Position as Percentage of Total Pension Liability	94.25%	87.15%	96.81%	90.34%
Covered Payroll	\$ 8,481,073	\$ 8,193,314	\$ 7,984,569	\$ 7,982,952
Net Pension Liability as Percentage of Covered Payroll	29.97%	66.83%	16.18%	47.23%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates. For example: as of December 31, 2019 for fiscal year 2020.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2015	2014
\$ 974,458	\$ 881,939
2,409,813	2,280,911
-	-
(205,165)	119,290
638,184	-
<u>(1,392,134)</u>	<u>(1,581,767)</u>
2,425,156	1,700,373
<u>34,634,735</u>	<u>32,934,362</u>
<u>\$ 37,059,891</u>	<u>\$ 34,634,735</u>

\$ 471,266	\$ 481,593
456,065	429,994
50,194	1,877,990
(1,392,134)	(1,581,767)
(30,574)	(19,609)
<u>(1,510)</u>	<u>(1,612)</u>
(446,693)	1,186,589
<u>34,018,266</u>	<u>32,831,677</u>
<u>\$ 33,571,573</u>	<u>\$ 34,018,266</u>

\$ 3,488,318	\$ 616,469
90.59%	98.22%
\$ 7,601,080	\$ 7,166,568
45.89%	8.60%

**CITY OF SULPHUR SPRINGS**  
Schedule of Pension Contributions  
For the Year Ended September 30, 2020

	Fiscal Year Ended September 30,			
	2020	2019	2018	2017
Actuarially Determined Contribution	\$ 628,565	\$ 611,309	\$ 576,057	\$ 544,079
Contributions in Relation to the Actuarially Determined Contribution	(628,565)	(611,309)	(576,057)	(544,079)
Contribution Deficiency/(Excess)	-	-	-	-
Covered Payroll	\$ 8,189,590	\$ 8,178,552	\$ 7,841,080	\$ 7,745,406
Contributions as Percentage of Covered Payroll	7.68%	7.47%	7.35%	7.02%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of December 31, 2019. This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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:** Granted 100% ad hoc USC with transfer.

2016	2015
\$ 464,398	\$ 471,266
(464,398)	(471,266)
-	-
\$ 7,662,705	\$ 7,601,080
6.06%	6.20%

**CITY OF SULPHUR SPRINGS**  
Schedule of Changes in Total OPEB Liability and Related Ratios  
For the Year Ended September 30, 2020

	Plan Year Ended December 31,		
	2019	2018	2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 16,962	\$ 18,025	\$ 15,171
Interest (on the Total OPEB Liability)	19,538	17,638	17,543
Changes of Benefit Terms	-	-	-
Difference Between Expected & Actual Experience	(8,906)	(2,024)	-
Change of Assumptions	93,941	(34,756)	38,688
Benefit Payments, Including Refunds of Employee Contributions	(5,089)	(4,097)	(3,992)
Net Change in Total OPEB Liability	116,446	(5,214)	67,410
 Total OPEB Liability - Beginning	 <u>520,696</u>	 <u>525,910</u>	 <u>458,500</u>
 Total OPEB Liability - Ending	 <u><u>\$ 637,142</u></u>	 <u><u>\$ 520,696</u></u>	 <u><u>\$ 525,910</u></u>
 Covered Payroll	 \$ 8,481,073	 \$ 8,193,314	 \$ 7,984,569
 Total OPEB Liability as a Percentage of Covered Payroll	 7.51%	 6.36%	 6.59%

**COMBINING & INDIVIDUAL  
FUND STATEMENTS & SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Tax Increment Financing Fund - This fund is used to account for the government's local option property tax revenues in the downtown area that are restricted to pay bonded debt used to revitalize the downtown area.

Tourism Fund - This fund is used to account for hotel/motel taxes that are used to promote tourism within the City of Sulphur Springs.

Police Fund - This fund is used to account for grants and donations received for police department purposes.

**CITY OF SULPHUR SPRINGS**

Combining Balance Sheet

Special Revenue Funds

September 30, 2020

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Special Revenue Funds
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ -	252,614	599,385	87,271	939,270
Notes Receivable	-	-	-	-	-
Other Receivables	-	-	-	39,991	39,991
Total Assets	<u>\$ -</u>	<u>252,614</u>	<u>599,385</u>	<u>127,262</u>	<u>979,261</u>
<b>LIABILITIES &amp; FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ -	6,834	-	-	6,834
Total Liabilities	<u>-</u>	<u>6,834</u>	<u>-</u>	<u>-</u>	<u>6,834</u>
Fund Balances:					
Assigned:					
Tourism	-	245,780	-	-	245,780
Other Purposes	-	-	599,385	127,262	726,647
Total Fund Balances	<u>-</u>	<u>245,780</u>	<u>599,385</u>	<u>127,262</u>	<u>972,427</u>
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>252,614</u>	<u>599,385</u>	<u>127,262</u>	<u>979,261</u>

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



**CITY OF SULPHUR SPRINGS**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Funds

For the Fiscal Year Ended September 30, 2020

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Special Revenue Funds
<b>REVENUES</b>					
Property Taxes	\$ 38,721	-	-	-	38,721
Sales Taxes	-	150,727	-	-	150,727
Intergovernmental	61,553	-	64,481	-	126,034
Fines & Forfeitures	-	-	335,171	-	335,171
Interest	28	2,745	1,130	2,059	5,962
Grants & Contributions	-	-	47,233	-	47,233
Miscellaneous	-	-	1,740	-	1,740
Total Revenues	<u>100,302</u>	<u>153,472</u>	<u>449,755</u>	<u>2,059</u>	<u>705,588</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	161,876	-	161,876
Culture & Recreation	-	91,302	-	-	91,302
Total Expenditures	<u>-</u>	<u>91,302</u>	<u>161,876</u>	<u>-</u>	<u>253,178</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>100,302</u>	<u>62,170</u>	<u>287,879</u>	<u>2,059</u>	<u>452,410</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In	130,545	-	-	-	130,545
Transfers Out	(230,847)	(50,000)	-	-	(280,847)
Total Other Financing Sources/(Uses)	<u>(100,302)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(150,302)</u>
Net Change in Fund Balances	-	12,170	287,879	2,059	302,108
Fund Balance - Beginning	-	233,610	311,506	125,203	670,319
Fund Balance - Ending	<u>\$ -</u>	<u>245,780</u>	<u>599,385</u>	<u>127,262</u>	<u>972,427</u>

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

**CITY OF SULPHUR SPRINGS**

Schedule of Revenues, Expenditures and Changes in Net Position - Budget and Actual  
Enterprise Fund

For the Fiscal Year Ended September 30, 2020

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
<b>OPERATING REVENUES</b>			
Water Sales	\$ 5,622,000	5,395,662	(226,338)
Sewer Charges	4,254,000	4,189,812	(64,188)
Sanitation Charges	3,247,949	3,818,364	570,415
Service Charges	125,000	70,870	(54,130)
Water & Sewer Connections	75,000	74,806	(194)
Intergovernmental	818,000	253,209	(564,791)
Miscellaneous Revenues	83,500	157,688	74,188
Total Operating Revenues	<u>14,225,449</u>	<u>13,960,411</u>	<u>(265,038)</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	3,479,690	2,595,726	883,964
Supplies	1,074,281	1,154,325	(80,044)
Contractual Services	4,264,304	4,582,036	(317,732)
Total Operating Expenses	<u>8,818,275</u>	<u>8,332,087</u>	<u>486,188</u>
Operating Income/(Loss)	<u>5,407,174</u>	<u>5,628,324</u>	<u>221,150</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Interest Revenue	140,000	99,134	(40,866)
Interest Expense & Fiscal Charges	(474,220)	(474,375)	(155)
Total Nonoperating Revenues/(Expenses)	<u>(334,220)</u>	<u>(375,241)</u>	<u>(41,021)</u>
Income Before Transfers	5,072,954	5,253,083	180,129
Transfers In	-	-	
Transfers Out	(1,930,571)	(1,966,497)	(35,926)
Bonded Debt Proceeds	361,493	-	(361,493)
Change in Net Position	3,503,876	3,286,586	(217,290)
Net Position - Beginning	23,759,096	23,759,096	-
Prior Period Adjustment	(630,000)	(630,000)	-
Net Position - Ending	<u>\$ 26,632,972</u>	<u>26,415,682</u>	<u>(217,290)</u>

**CITY OF SULPHUR SPRINGS**  
Combining Statement of Fiduciary Net Position  
Private Purpose Trust Funds  
September 30, 2020

	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 27,049	17,424	44,473
Total Assets	<u>27,049</u>	<u>17,424</u>	<u>44,473</u>
<b>LIABILITIES</b>			
Accounts Payable	-	15,031	15,031
Total Liabilities	<u>-</u>	<u>15,031</u>	<u>15,031</u>
<b>NET POSITION</b>			
Net Position Restricted for Pensions	<u>\$ 27,049</u>	<u>2,393</u>	<u>29,442</u>

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

**CITY OF SULPHUR SPRINGS**  
Combining Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Funds  
For the Fiscal Year Ended September 30, 2020

	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan	Total Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions	\$ 2,914	213,943	216,857
Interest Income	-	74	74
Total Additions	<u>2,914</u>	<u>214,017</u>	<u>216,931</u>
<b>DEDUCTIONS</b>			
General Government	1,225	197,230	198,455
Total Deductions	<u>1,225</u>	<u>197,230</u>	<u>198,455</u>
Change in Net Position	1,689	16,787	18,476
Net Position, Beginning	<u>25,360</u>	<u>(14,394)</u>	<u>10,966</u>
Net Position, Ending	<u>\$ 27,049</u>	<u>2,393</u>	<u>29,442</u>

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

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## STATISTICAL SECTION

This part of the City of Sulphur Springs' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

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These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water & sewer revenues.

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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF SULPHUR SPRINGS**  
Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Amounts Expressed in Thousands)

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Governmental Activities</b>					
Net Investment in Capital Assets	16,493	17,947	19,271	20,015	18,084
Restricted	2,668	49	19	18	35
Unrestricted	1,959	3,630	3,476	3,258	4,284
Total Governmental Activities Net Position	<u>21,120</u>	<u>21,626</u>	<u>22,766</u>	<u>23,291</u>	<u>22,403</u>
<b>Business-Type Activities</b>					
Net Investment in Capital Assets	12,662	9,740	10,262	11,499	13,044
Restricted	468	470	617	553	618
Unrestricted	3,512	7,237	6,271	5,916	6,347
Total Business-Type Activities Net Position	<u>16,642</u>	<u>17,447</u>	<u>17,150</u>	<u>17,968</u>	<u>20,009</u>
<b>Primary Government</b>					
Net Investment in Capital Assets	29,155	27,687	29,533	31,514	31,128
Restricted	3,136	519	636	571	653
Unrestricted	5,471	10,867	9,747	9,174	10,631
Total Primary Government Net Position	<u>37,762</u>	<u>39,073</u>	<u>39,916</u>	<u>41,259</u>	<u>42,412</u>

2016	2017	2018	2019	2020
17,204	18,597	20,508	20,362	27,907
49	8	11	24	24
5,680	3,988	3,047	2,739	5,696
<u>22,933</u>	<u>22,593</u>	<u>23,566</u>	<u>23,125</u>	<u>33,627</u>

15,899	2,573	7,908	16,919	18,515
591	532	498	435	416
3,878	17,643	13,308	6,405	5,916
<u>20,368</u>	<u>20,748</u>	<u>21,714</u>	<u>23,759</u>	<u>24,847</u>

33,103	21,170	28,416	37,281	46,422
640	540	509	459	440
9,558	21,631	16,355	9,144	11,612
<u>43,301</u>	<u>43,341</u>	<u>45,280</u>	<u>46,884</u>	<u>58,474</u>



**CITY OF SULPHUR SPRINGS**  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Amounts Expressed in Thousands)

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>EXPENSES</b>					
Governmental Activities:					
General Government	2,116	2,157	2,573	2,647	2,942
Public Safety	4,982	5,925	5,360	5,277	5,112
Transportation	1,952	2,604	2,136	2,715	3,562
Culture & Recreation	1,349	1,238	1,247	1,333	1,720
Interest on Long-Term Debt	435	316	586	566	695
Total Governmental Activities	<u>10,834</u>	<u>12,240</u>	<u>11,902</u>	<u>12,538</u>	<u>14,031</u>
Business-Type Activities:					
Water & Sewer	6,284	6,644	7,036	6,492	6,130
Sanitation	2,202	2,148	2,393	2,459	2,370
Total Business-Type Activities	<u>8,486</u>	<u>8,792</u>	<u>9,429</u>	<u>8,951</u>	<u>8,500</u>
Total Primary Government Expenses	<u>19,320</u>	<u>21,032</u>	<u>21,331</u>	<u>21,489</u>	<u>22,531</u>
<b>PROGRAM REVENUES</b>					
Governmental Activities:					
Charges for Services:					
General Government	114	110	136	188	152
Public Safety	1,149	941	914	1,100	873
Transportation	494	599	375	451	359
Culture & Recreation	137	-	-	-	-
Operating Grants & Contributions	263	760	697	378	318
Capital Grants & Contributions	4,220	857	165	227	119
Total Governmental Activities	<u>6,377</u>	<u>3,267</u>	<u>2,287</u>	<u>2,344</u>	<u>1,821</u>
Business-Type Activities:					
Charges for Services:					
Water & Sewer	8,277	8,226	8,196	8,550	9,176
Sanitation	2,681	2,705	2,889	2,923	2,826
Capital Grants & Contributions	102	15	-	-	-
Total Business-Type Activities	<u>11,060</u>	<u>10,946</u>	<u>11,085</u>	<u>11,473</u>	<u>12,002</u>
Total Primary Government	<u>17,437</u>	<u>14,213</u>	<u>13,372</u>	<u>13,817</u>	<u>13,823</u>
Net (Expense)/Revenue					
Governmental Activities	(4,457)	(8,973)	(9,615)	(10,194)	(12,210)
Business-Type Activities	<u>2,574</u>	<u>2,154</u>	<u>1,656</u>	<u>2,522</u>	<u>3,502</u>
Total Primary Government Net Expense	<u>(1,883)</u>	<u>(6,819)</u>	<u>(7,959)</u>	<u>(7,672)</u>	<u>(8,708)</u>

2016	2017	2018	2019	2020
2,691	2,977	2,713	2,824	2,806
5,343	6,070	5,716	6,261	6,088
1,989	2,022	1,433	2,664	2,801
2,475	1,875	2,856	2,688	1,974
611	512	538	260	402
13,109	13,456	13,256	14,697	14,071
7,047	7,727	7,406	7,663	7,302
2,652	2,545	2,632	2,775	3,073
9,699	10,272	10,038	10,438	10,375
22,808	23,728	23,294	25,135	24,446
92	133	196	139	142
904	1,070	596	586	708
275	380	495	949	942
3	2	10	4	5
447	365	378	636	928
444	22	520	204	202
2,165	1,972	2,195	2,518	2,927
9,228	9,254	9,841	9,933	9,984
3,036	3,099	3,200	3,449	3,818
-	-	-	-	-
12,264	12,353	13,041	13,382	13,802
14,429	14,325	15,236	15,900	16,729
(10,944)	(11,484)	(11,061)	(12,179)	(11,144)
2,565	2,081	3,003	2,944	3,427
(8,379)	(9,403)	(8,058)	(9,235)	(7,717)

**CITY OF SULPHUR SPRINGS**  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Amounts Expressed in Thousand)  
*(continued)*

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>GENERAL REVENUES &amp; OTHER CHANGES</b>					
<b>IN NET POSITION</b>					
Governmental Activities:					
Taxes					
Property Taxes	3,637	3,620	3,871	3,862	3,914
Sales Taxes	3,067	3,090	3,416	3,531	3,682
Franchise Taxes	1,104	1,052	1,140	1,204	1,396
Alcoholic Beverage Taxes	21	20	25	29	30
Investment Earnings	17	13	12	4	7
Miscellaneous	199	247	219	343	201
Transfers	1,365	1,437	2,070	1,747	1,651
Total Governmental Activities	9,410	9,479	10,753	10,720	10,881
Business-Type Activities:					
Investment Earnings	8	13	10	4	6
Miscellaneous	20	74	106	38	44
Transfers	(1,365)	(1,437)	(2,070)	(1,747)	(1,651)
Total Business-Type Activities	(1,337)	(1,350)	(1,954)	(1,705)	(1,601)
Total Primary Government	8,073	8,129	8,799	9,015	9,280
<b>CHANGE IN NET POSITION</b>					
Governmental Activities	4,953	506	1,138	526	(1,329)
Business-Type Activities	1,237	804	(298)	817	1,901
Total Primary Government	6,190	1,310	840	1,343	572

2016	2017	2018	2019	2020
3,954	3,998	4,089	4,134	4,361
3,884	3,875	4,287	4,618	4,556
1,131	1,149	1,116	1,139	1,108
31	37	42	47	40
23	40	118	174	64
424	182	487	344	9,150
2,254	1,862	2,231	1,283	1,966
11,701	11,143	12,370	11,739	21,245
18	92	226	239	99
52	69	78	145	158
(2,254)	(1,862)	(2,231)	(1,283)	(1,966)
(2,184)	(1,701)	(1,927)	(899)	(1,709)
9,517	9,442	10,443	10,840	19,536
757	(341)	1,309	(440)	10,101
381	380	1,076	2,045	1,718
1,138	39	2,385	1,605	11,819

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**CITY OF SULPHUR SPRINGS**  
 Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Amounts Expressed in Thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2011	\$ 3,637	3,068	1,104	21	7,830
2012	3,620	3,090	1,052	20	7,782
2013	3,871	3,416	1,140	25	8,452
2014	3,862	3,531	1,204	29	8,626
2015	3,914	3,682	1,396	30	9,022
2016	3,954	3,884	1,131	31	9,000
2017	3,998	3,875	1,149	37	9,059
2018	4,089	4,287	1,116	42	9,534
2019	3,589	4,424	1,139	47	9,199
2020	\$ 4,418	4,556	1,108	40	10,122

**CITY OF SULPHUR SPRINGS**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Amounts Expressed in Thousands)

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Unassigned	2,065	2,404	2,472	2,324
Total General Fund	2,065	2,404	2,472	2,324
All Other Governmental Funds				
Nonspendable	36	48	54	45
Restricted	3,806	6,295	2,315	937
Assigned	439	369	428	427
Unassigned	26	28	-	-
Total All Other Governmental Funds	4,307	6,740	2,797	1,409

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>2,862</u>	<u>2,231</u>	<u>2,823</u>	<u>3,076</u>	<u>3,493</u>	<u>4,054</u>
<u><u>2,862</u></u>	<u><u>2,231</u></u>	<u><u>2,823</u></u>	<u><u>3,076</u></u>	<u><u>3,493</u></u>	<u><u>4,054</u></u>
39	22	47	32	17	107
3,742	2,412	262	397	464	3,090
527	472	512	645	861	1,208
-	-	-	-	-	-
<u>4,308</u>	<u>2,906</u>	<u>821</u>	<u>1,074</u>	<u>1,342</u>	<u>4,405</u>



**CITY OF SULPHUR SPRINGS**  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Amounts Expressed in Thousands)

	Fiscal Year			
	2011	2012	2013	2014
<b>REVENUES</b>				
Taxes	7,815	7,793	8,487	8,558
Licenses & Permits	85	109	205	186
Intergovernmental	4,644	1,583	914	561
Charges for Services	486	600	418	472
Fines	1,082	939	862	1,081
Investments Earnings	15	12	11	4
Contributions	8	35	15	44
Miscellaneous	271	247	219	343
Total Revenues	<u>14,406</u>	<u>11,318</u>	<u>11,131</u>	<u>11,249</u>
<b>EXPENDITURES</b>				
General Government	2,118	2,074	2,426	2,433
Public Safety	4,889	5,749	5,164	5,066
Transportation	1,246	1,792	1,230	1,716
Culture & Recreation	1,188	1,035	1,021	1,083
Capital Outlay	6,119	5,444	5,319	2,441
Debt Service:				
Principal	839	872	1,166	1,068
Interest	437	301	596	562
Total Expenditures	<u>16,836</u>	<u>17,267</u>	<u>16,922</u>	<u>14,369</u>
Excess of Revenues Over/(Under) Expenditures	<u>(2,430)</u>	<u>(5,949)</u>	<u>(5,791)</u>	<u>(3,120)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,489	3,589	4,506	4,138
Transfers Out	(2,244)	(2,308)	(2,591)	(2,553)
Bonds Issued	-	7,440	-	-
Other Uses - Bond Issuance	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,245</u>	<u>8,721</u>	<u>1,915</u>	<u>1,585</u>
Net Change in Fund Balances	<u>(1,185)</u>	<u>2,772</u>	<u>(3,876)</u>	<u>(1,535)</u>
Debt Service as a Percentage of Noncapital Expenditures	11.9%	9.9%	15.2%	13.7%

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
8,972	9,035	9,075	9,540	9,968	10,122
151	92	133	196	139	142
320	814	273	779	738	368
359	278	382	505	954	947
1,045	925	978	965	987	1,136
7	22	34	99	156	60
117	77	114	119	101	762
201	306	317	454	348	9,152
<u>11,172</u>	<u>11,549</u>	<u>11,306</u>	<u>12,657</u>	<u>13,391</u>	<u>22,689</u>
2,499	2,489	2,432	2,509	2,469	2,191
4,889	5,187	5,318	5,293	5,436	5,673
2,271	2,473	3,894	1,152	1,896	1,775
1,401	1,512	1,422	1,393	1,729	1,603
1,457	1,706	919	2,148	1,612	10,629
-	-	-	-	-	-
1,013	1,536	1,080	1,171	1,212	1,486
680	607	563	544	515	469
<u>14,210</u>	<u>15,510</u>	<u>15,628</u>	<u>14,210</u>	<u>14,869</u>	<u>23,826</u>
<u>(3,038)</u>	<u>(3,961)</u>	<u>(4,322)</u>	<u>(1,553)</u>	<u>(1,478)</u>	<u>(1,137)</u>
4,799	5,518	5,148	4,767	5,003	4,673
(3,320)	(3,436)	(3,458)	(2,708)	(3,916)	(2,911)
4,995	-	1,140	-	4,953	3,096
-	-	-	-	(3,877)	(96)
<u>6,474</u>	<u>2,082</u>	<u>2,830</u>	<u>2,059</u>	<u>2,163</u>	<u>4,762</u>
<u>3,436</u>	<u>(1,879)</u>	<u>(1,492)</u>	<u>506</u>	<u>685</u>	<u>3,625</u>
13.3%	15.5%	11.2%	14.2%	13.0%	14.8%

**CITY OF SULPHUR SPRINGS**  
 General Government Tax Revenues by Source  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)  
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2011	\$ 3,623	3,067	1,104	21	7,815
2012	3,630	3,090	1,052	20	7,792
2013	3,906	3,416	1,140	25	8,487
2014	3,793	3,531	1,204	29	8,557
2015	3,864	3,682	1,396	30	8,972
2016	3,989	3,884	1,131	31	9,035
2017	4,014	3,875	1,149	37	9,075
2018	4,094	4,287	1,116	42	9,539
2019	4,164	4,618	1,139	47	9,968
2020	\$ 3,704	4,405	1,108	40	9,257

**CITY OF SULPHUR SPRINGS**  
 Assesed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Amounts Expressed in Thousands)

Fiscal Year Ended Sep. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2011	\$ 395,251	513,130	61,107	847,274	0.44000	908,381	93.27%
2012	387,156	494,583	70,122	811,617	0.44000	881,739	92.05%
2013	387,853	560,941	69,251	879,543	0.44000	948,794	92.70%
2014	391,957	507,502	57,229	842,230	0.44000	899,459	93.64%
2015	396,756	544,528	86,806	854,478	0.44000	941,284	90.78%
2016	397,129	566,595	80,619	883,105	0.44000	963,724	91.63%
2017	404,027	573,621	84,789	892,859	0.44000	977,648	91.33%
2018	411,280	591,195	87,029	915,446	0.44000	1,002,475	91.32%
2019	418,000	600,620	91,475	927,145	0.44000	1,018,620	91.02%
2020	\$ 451,931	608,934	84,389	976,476	0.44000	1,060,855	92.05%

Source: Hopkins County Central Appraisal District

**CITY OF SULPHUR SPRINGS**  
Property Tax Rates  
Direct and Overlapping Governments  
(Per \$100 of Assessed Valued)  
Last Ten Fiscal Years

Fiscal Year	City of Sulphur Springs			Sulphur Springs Independent School District	Hopkins County	Hopkins County Hospital District	Total
	General Fund	Debt Service Funds	Total				
2011	\$0.37293	0.06707	0.44000	1.40540	0.56000	0.1637	2.56910
2012	0.37422	0.06578	0.44000	1.36048	0.56546	0.2137	2.57964
2013	0.37217	0.06703	0.43920	1.36048	0.56057	0.2137	2.57395
2014	0.37374	0.06627	0.44000	1.24000	0.56057	0.2137	2.45427
2015	0.37882	0.06118	0.44000	1.35048	0.61208	0.2500	2.65256
2016	0.37730	0.06270	0.44000	1.35048	0.627392	0.2500	2.66787
2017	0.37940	0.06060	0.44000	1.35048	0.627392	0.2500	2.66787
2018	0.38320	0.05680	0.44000	1.35048	0.624892	0.2500	2.66537
2019	0.38260	0.05740	0.44000	1.35048	0.624892	0.2500	2.66537
2020	\$0.37240	0.06760	0.44000	1.28048	0.624892	0.2500	2.59537

Source: Applicable Taxing Entities

**CITY OF SULPHUR SPRINGS**  
Principal Property Taxpayers  
September 30, 2020  
(Amounts Expressed in Thousands)

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Saputo Dairy Foods, Inc.	\$ 40,469	1	4.14%			
Ocean Spray Cranberries, Inc.	23,456	2	2.40%	10,673	4	1.32%
Flowserve US Inc.	21,867	3	2.24%	13,555	2	1.67%
BEF Foods, Inc.	19,566	4	2.00%			
Wal-Mart Stores, Inc.	14,489	5	1.48%	6,677	10	0.82%
Load Trail LLC	11,561	6	1.18%			
Oncor Electric Delivery Co.	11,553	7	1.18%	7,025	9	0.87%
Jeld-Wen, Inc.	9,789	8	1.00%	7,736	7	0.95%
SS/Hop Co EDC	9,625	9	0.99%			
Grocery Supply Company	8,549	10	0.88%	14,258	1	1.76%
Morningstar Foods, Inc.	-			10,786	3	1.33%
Flowserve, Inc.	-			8,511	6	1.05%
Morningstar Foods, Inc.	-			8,952	5	1.10%
Wal-Mart, Inc.	-			7,677	8	0.95%
Totals	<u>\$ 170,924</u>		<u>17.50%</u>	<u>\$ 95,850</u>		<u>11.82%</u>

Source: Hopkins County Central Appraisal District

**CITY OF SULPHUR SPRINGS**  
Property Tax Levies and Collections <sup>(1)</sup>  
Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2011	\$ 3,571,114	3,479,170	97.4%	125,381	3,604,551	100.9%
2012	3,574,117	3,487,673	97.6%	113,688	3,601,361	100.8%
2013	3,628,386	3,596,022	99.1%	67,460	3,663,482	101.0%
2014	3,705,814	3,633,219	98.0%	73,425	3,706,644	100.0%
2015	3,756,497	3,723,964	99.1%	86,581	3,810,545	101.4%
2016	3,878,647	3,805,387	98.1%	56,140	3,861,527	99.6%
2017	3,928,567	3,856,986	98.2%	61,281	3,918,267	99.7%
2018	4,027,960	3,963,234	98.4%	51,537	4,014,771	99.7%
2019	4,079,438	4,017,684	98.5%	42,381	4,060,065	99.5%
2020	\$ 4,296,405	4,254,150	99.0%	-	4,254,150	99.0%

Notes: (1) Includes general and debt service funds.

**CITY OF SULPHUR SPRINGS**  
Water and Sewer Revenues  
Last Ten Fiscal Years  
(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2011	\$ 5,097	2,980	8,077
2012	4,998	3,056	8,054
2013	4,801	3,180	7,981
2014	4,960	3,433	8,393
2015	5,173	3,853	9,026
2016	5,308	3,744	9,052
2017	5,307	3,947	9,254
2018	5,478	4,198	9,676
2019	5,223	4,220	9,443
2020	\$ 5,541	4,190	9,731



**CITY OF SULPHUR SPRINGS**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(Amounts Expressed in Thousands, Except per Capital Amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	General Obligation Bonds	Notes	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes	
2011	\$ 9,291			2,870	6,929		19,090
2012	15,727			1,915	11,378		29,020
2013	14,560			1,505	10,550		26,615
2014	13,493			1,310	9,807		24,610
2015	17,490			-	10,430		27,920
2016	15,954			-	9,426		25,380
2017	15,968			25,941	4,291		46,200
2018	14,797			24,934	3,499		43,230
2019	14,411			24,180	2,055		40,646
2020	\$ 15,256			23,115	1,925		40,296

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Demographic and Economic Statistics on page 109 for personal income and population data.

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
6.09%	1,233
8.82%	1,867
8.48%	1,712
7.74%	1,550
8.36%	1,760
7.53%	1,577
13.06%	2,859
13.19%	2,675
11.58%	2,519
10.77%	2,482

**CITY OF SULPHUR SPRINGS**  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(Amounts Expressed in Thousands, Except per Capita Amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value <sup>(1)</sup> of Property	Per Capita <sup>(2)</sup>
2010	\$ 10,130	61	10,069	1.11%	640
2011	16,220	7	16,213	1.84%	1,047
2012	27,105	11	27,094	2.86%	1,743
2013	25,110	19	25,091	2.98%	1,344
2014	23,300	18	23,282	2.72%	1,467
2015	27,920	34	27,886	2.89%	1,757
2016	25,380	49	25,331	2.59%	1,574
2017	46,200	8	46,192	4.61%	2,859
2018	43,230	11	43,219	4.24%	2,674
2019	40,646	24	40,622	3.83%	2,518
2020	\$ 40,296	24	40,272	3.80%	2,481

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 97 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 109.

**CITY OF SULPHUR SPRINGS**  
 Direct and Overlapping Governmental Activities Debt  
 As of September 30, 2020  
 (Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Sulphur Springs I.S.D.	\$ 51,270	69.52%	\$ 35,643
Hopkins County	11,432	48.70%	5,567
Hopkins County Hospital District	23,521	43.90%	<u>10,326</u>
Total Overlapping Debt			51,536
City of Sulphur Springs Direct Debt			<u>24,318</u>
Total Direct & Overlapping Debt			<u><u>\$ 75,854</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Hopkins County Central Appraisal District. Debt outstanding data provided by the governmental units.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Sulphur Springs. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the governmental's boundaries and dividing it by the governmental unit's total taxable assessed value.

**CITY OF SULPHUR SPRINGS**  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (Amounts Expressed in Thousands)

	Fiscal Year			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	100,086	107,321	89,946	70,846
Total Net Debt Applicable to Limit	<u>18,725</u>	<u>28,650</u>	<u>25,091</u>	<u>23,282</u>
Legal Debt Margin	<u><u>81,361</u></u>	<u><u>78,671</u></u>	<u><u>64,855</u></u>	<u><u>47,564</u></u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	18.71%	26.70%	27.90%	32.86%

Note: Under state finance law, the City of Sulphur Springs' outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
68,567	97,765	100,248	101,862	106,087	106,087
<u>23,185</u>	<u>25,331</u>	<u>46,192</u>	<u>43,219</u>	<u>40,622</u>	<u>40,272</u>
<u><u>45,382</u></u>	<u><u>72,434</u></u>	<u><u>54,056</u></u>	<u><u>58,643</u></u>	<u><u>65,465</u></u>	<u><u>65,815</u></u>
33.81%	25.91%	46.08%	42.43%	38.29%	37.96%

**Legal Debt Margin Calculation for Fiscal Year 2020**

Assessed Value	\$ 976,476
Add Back: Exempt Real Property	<u>84,389</u>
Total Assessed Value	<u>1,060,865</u>
Debt Limit (10% of Total Assessed Value)	<u>106,087</u>
Debt Applicable to Limit:	
General Obligation Bonds	40,296
Less Amount Set Aside for Repayment of General Obligation Debt	<u>(24)</u>
Total Net Debt Applicable to Limit	<u>40,272</u>
Legal Debt Margin	<u><u>\$ 65,815</u></u>

**CITY OF SULPHUR SPRINGS**  
Pledged-Revenue Coverage  
Last Ten Fiscal Years  
(Amounts Expressed in Thousands)

Fiscal Year	Water & Sewer Revenue Bonds					
	Charges & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 11,088	6,974	4,114	1,426	422	2.23
2012	11,034	7,142	3,892	1,474	497	1.97
2013	11,201	8,650	2,551	1,239	494	1.47
2014	11,515	8,582	2,933	937	368	2.25
2015	12,051	8,248	3,803	2,178	252	1.57
2016	12,334	9,406	2,928	1,003	294	2.26
2017	12,514	9,302	3,212	3,085	970	0.79
2018	13,344	9,496	3,848	1,799	542	1.64
2019	13,764	9,924	3,840	2,479	514	1.28
2020	\$ 14,059	9,900	4,159	1,810	474	1.82

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges and other includes investment earnings and intergovernmental. Operating expenses do not include depreciation.

**CITY OF SULPHUR SPRINGS**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income (Amts. Expressed in Thousands)</u>	<u>(1) Per Capita Personal Income</u>	<u>(1) Median Age</u>	<u>(2) Education Level in Years of Formal Schooling</u>	<u>(3) School Enrollment</u>	<u>(2) Unemployment Rate</u>
2011	15,478	\$ 313,507	20,255	36	13.5	4,221	7.8%
2012	15,541	328,848	21,160	38	13.5	4,054	6.5%
2013	15,541	313,493	20,172	38	13.5	4,301	6.5%
2014	15,868	317,800	20,555	36	13.5	4,387	4.7%
2015	15,868	334,148	21,058	38	13.5	4,356	3.9%
2016	16,098	337,188	20,946	38	13.5	4,415	3.7%
2017	16,162	353,722	21,886	35	13.5	4,334	3.7%
2018	16,162	327,846	20,285	35	13.5	4,393	3.5%
2019	16,134	350,898	21,749	36	13.5	4,393	3.1%
2020	16,234	\$ 373,999	23,038	36	13.5	4,350	4.6%

Date Sources

- (1) Bureau of the Census
- (2) Texas Workforce Commission
- (3) Sulphur Springs I.S.D.



**CITY OF SULPHUR SPRINGS**  
Principal Employers  
Current Year and Ten Years Ago

<u>Employer</u>	<u>2020</u>			<u>2011</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Sulphur Springs I.S.D.	702	1	6.45%	590	2	5.15%
Grocery Supply Company	550	2	5.06%	700	1	6.11%
Saputo Foods, Inc.	454	3	4.17%			
Hopkins County Hospital	402	4	3.70%	500	3	4.36%
Wal-Mart Stores, Inc.	375	5	3.45%	400	4	3.49%
Hopkins County	322	6	2.96%	160	9	1.40%
CMH Manufacturing	294	8	2.70%			
BEF Foods	200	7	1.84%			
City of Sulphur Springs	189	9	1.74%			
Flowserve, Inc.	102	10	0.94%	254	6	2.22%
Ocean Spray Cranberries, Inc.				152	10	1.33%
Clayton Homes				200	7	1.74%
Morningstar Foods, Inc.				350	5	3.05%
Owen Sausage				165	8	1.44%
Total	<u>3,590</u>		<u>33.01%</u>	<u>3,471</u>		<u>30.29%</u>

Source: Texas Workforce Commission

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**CITY OF SULPHUR SPRINGS**  
 Full-Time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years

<b>FUNCTION</b>	Fiscal Year			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government	26	28	21	24
Public Safety:				
Police:				
Officers	30	32	28	30
Civilians	9	11	11	8
Fire	23	22	22	22
Highways and Streets	18	21	15	13
Culture & Recreation:				
Parks and Recreation	13	5	7	7
Libraries	5	7	5	5
Water	20	22	22	21
Sewer	<u>8</u>	<u>8</u>	<u>8</u>	<u>9</u>
Total	<u><u>152</u></u>	<u><u>156</u></u>	<u><u>139</u></u>	<u><u>139</u></u>

Source: Finance Department

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
21	20	21	21	20	16
29	29	28	28	28	28
9	9	9	12	11	13
22	22	21	21	22	22
25	24	18	19	17	18
6	7	8	8	8	12
4	4	4	4	6	4
21	21	22	22	24	24
<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>	<u>8</u>	<u>8</u>
<u>146</u>	<u>145</u>	<u>140</u>	<u>143</u>	<u>144</u>	<u>145</u>

**CITY OF SULPHUR SPRINGS**  
 Operating Indicators by Function  
 Last Ten Fiscal Years

<b>FUNCTION</b>	Fiscal Year			
	2011	2012	2013	2014
<b>Police</b>				
Physical Arrests	1,107	1,092	961	1,045
Accidents	533	472	466	357
Citations	8,702	6,222	6,677	7,794
<b>Fire</b>				
Number of Calls Answered	1,603	1,399	1,472	1,354
Inspections	571	564	989	622
<b>Highways &amp; Streets</b>				
Street Reconstruction (miles)	3.6	1.3	0.47	0.55
Street Resurfacing (miles)	2.5	2.7	1.1	-
<b>Sanitation</b>				
Refuse Collected (yd3/year)	113,044	124,878	121,762	131,483
<b>Water</b>				
New Connections	46	42	54	54
Water Main Breaks	379	295	352	352
Average Daily Consumption (thousands of gallons)	4,095	3,818	3,997	3,864
Miles of Water Lines Replaced	0.39	0.67	0.17	0.45
<b>Wastewater</b>				
Average Daily Consumption (thousands of gallons)	2,500	2,500	2,500	2,730
Miles of Sewer Lines Replaced	0.31	-	0.41	0.43

Sources: Various Government Departments

2015	2016	2017	2018	2019	2020
944	893	743	912	952	639
433	468	438	436	451	454
7,633	6,568	6,773	6,691	6,309	5,664
1,455	1,505	1,561	2,204	2,305	2,168
661	752	632	745	581	222
0.84	0.82	1.97	0.14	2.30	1.66
2.27	3.44	0.86	1.60	1.52	4.25
118,966	118,487	124,287	118,827	132,695	144,632
20	53	39	42	46	46
220	135	127	133	121	117
4,136	3,822	6,059	3,980	4,235	4,713
3.13	1.21	0.98	-	0.78	0.71
2,900	2,840	2,910	2,790	3,520	3,400
0.49	1.03	1.31	1.05	0.97	0.67

**CITY OF SULPHUR SPRINGS**  
 Capital Asset Statistics by Function  
 Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
<b>FUNCTION</b>				
Public Safety				
Police:				
Stations	1	1	1	1
Patrol Units	8	10	10	10
Fire Stations	2	2	2	2
Highway & Streets				
Streets (miles)	85	85	85	85
Culture & Recreation				
Parks Acreage	89	89	89	89
Parks	3	3	3	3
Swimming Pools	-	-	-	-
Tennis Courts	2	2	2	2
Water				
Water Mains (miles)	145	145	145	145
Fire Hydrants	875	875	875	875
Maximum Daily Capacity (thousands of gallons)	10,000	10,000	10,000	10,000
Sewer				
Sanitary Sewers (miles)	136	136	136	136
Maximum Daily Treatment Capacity (thousands of gallons)	5,400	5,400	5,400	5,400

Sources: Various City Departments

Note: No capital asset indicators are available for the general government function

2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
10	6	8	7	8	9
2	2	2	2	2	2
85	91	92	92	92	92
89	89	89	89	89	89
3	3	3	3	3	3
-	-	-	-	-	-
2	2	2	2	2	2
145	148	148	149	149	149
875	943	943	943	943	943
10,000	10,000	10,000	10,000	10,000	10,000
136	142	142	143	144	144
5,400	5,400	5,400	5,400	5,490	5,490



**REPORTING FOR GOVERNMENTAL AUDITING STANDARDS**



**INDEPENDENT AUDITOR'S 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**

To the Honorable Mayor  
and Members of the City Council  
**City of Sulphur Springs, Texas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the City of Sulphur Springs, 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, and have issued our report thereon dated March 5, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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.

*K. Evans & Associates*

Frisco, TX  
March 5, 2021

**FEDERAL AWARDS SECTION**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Honorable Mayor  
and Members of the City Council  
**City of Sulphur Springs, Texas**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Sulphur Springs, Texas (the City), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

**Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is unmodified with respect to these matters.

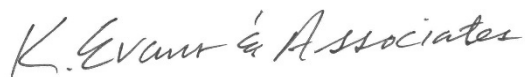
## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



K. Evans & Associates, CPA's  
Frisco, TX  
March 5, 2021

**CITY OF SULPHUR SPRINGS**  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2020

**Summary of the Auditor's Results:**

Financial Statements

- An unmodified opinion was issued on the financial statements.
- Internal control over financial reporting:
  - Material weakness(es) identified? No
  - Significant deficiency(ies) identified that are not considered a material weakness? None Reported
- Noncompliance material to financial statements noted. No

Major Federal Programs

- Internal control over major federal programs:
  - Material weakness(es) identified? No
  - Significant deficiency(ies) identified that are not considered a material weakness? None Reported
- An unmodified opinion was issued on compliance for major federal programs.
- Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? No
- Identification of major federal programs:
  - Coronavirus Relief Fund 21.019
- The dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- Auditee qualified as a low-risk auditee. No

**CITY OF SULPHUR SPRINGS**  
Schedule of Status of Prior Findings  
For the Year Ended September 30, 2020

-None-



**CITY OF SULPHUR SPRINGS**  
Corrective Action Plan  
For the Year Ended September 30, 2020

-None-

**CITY OF SULPHUR SPRINGS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Treasury</b>			
<i>Passed Through TX Division of Emergency Management</i>			
Coronavirus Relief Fund	21.019	FEMA-2020-SPA-TX	\$ <u>667,883</u>
<i>Passed Through TX Department of Transportation</i>			
CARES Act - Airport Improvement Program	20.106	20CRSULPH	<u>30,000</u>
<b>U.S. Department of Homeland Security</b>			
<i>Passed Through TX Office of the Governor</i>			
Tactical Communication Project	97.067	3538701	<u>54,281</u>
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed Through TX Department of Agriculture</i>			
Texas Community Development Block Grant	14.228	7217450	156,661
Texas Community Development Block Grant	14.228	7218042	<u>12,779</u>
<i>Total Passed Through TX Department of Agriculture</i>			<u>169,440</u>
<b>U.S. Department of Transportation</b>			
<i>Passed Through TX Department of Transportation</i>			
Airport Improvement Program	20.106	M1901SULPH	<u>49,077</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 970,681</u>

**CITY OF SULPHUR SPRINGS**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred expenditures until earned.

The City participates in numerous Federal grant programs that 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, in any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2020, 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 provisions have been recorded in the accompanying financial statements for such contingencies.