

CITY OF TULIA, TEXAS

Annual Financial Report

**For the Year Ended
September 30, 2019**



TULIA
Texas

**CITY OF TULIA, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2019**

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TULIA
Texas

INTRODUCTORY SECTION

CITY OF TULIA, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2019

Israel “Bibo” Ramirez

Mayor

Greg Needham

Council Member – District 1

Jay Smith

Council Member – District 2

Kathy Vestal

Council Member – District 3

Jason Jack

Council Member – District 4

Dion O. Miller

City Manager

James L. Davis

Director of Finance

FINANCIAL SECTION



To The Honorable Mayor and
Members of the City Council
City of Tulia, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements 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 Tulia, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 units, each major fund, and the aggregate remaining fund information of the City of Tulia, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 – 7) and required supplemental information (pages 49 – 52), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

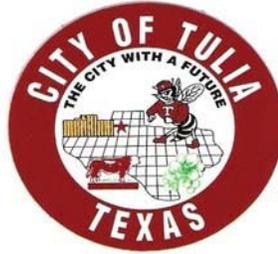
The combining internal service fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2020, on our consideration of the City of Tulia, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
April 4, 2020



Management's Discussion and Analysis City of Tulia, Texas

In this section of the Annual Financial and Compliance Report we, the City Management of the City of Tulia, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2019. Please read it in conjunction with the independent auditors' report and the City's Basic Financial Statements.

Background Information

The City of Tulia was incorporated in 1909, under the Statutes of the State of Texas. The City operates under a mayor/councilman form of government and provides the services of administration, building maintenance, financial administration, legislative, municipal court, code enforcement, fire protection, police, sanitation (collection and disposal), streets, parks and recreation, water and sewer, electric, and a revolving loan fund.

Financial Highlights:

The City's assets exceeded its liabilities by \$4,409,576 (net position) for the fiscal year reported.

Total net position are comprised of the following:

1. Net investment in capital assets of \$2,049,961; includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
2. Net position restricted for debt service totaled \$388,671.
3. Unrestricted net position of \$1,970,934 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
4. Net position restricted for tourism totaled \$10.

The City's governmental funds reported total ending fund balances of \$318,193 this year. \$318,193 is unreserved.

The City's net position increased by \$269,638 during the fiscal year. Governmental activities decreased by \$303,417, and business-type activities increased by \$573,055.

Using this Annual Report

Management's Discussion and Analysis introduces the City's basic financial statements. The Basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The City also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements:

The City's annual report includes two *government-wide financial statements*. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *statement of net position*. This City-wide statement of position presents information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deterioration. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City's infrastructure in addition to the financial information provided in this report.

Table 1
City's Net Position (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Component Unit		
	2019	2018	2019	2018	2019	2018	2019	2018	
Assets									
Current and other assets	\$ 218	\$ 430	\$ 5,044	\$ 5,975	\$ 5,262	\$ 6,405	\$ 495	\$ 411	
Capital assets	709	763	6,045	3,725	6,754	4,488			
Total assets	927	1,193	11,089	9,700	12,016	10,893	495	411	
Deferred outflows of resources	386	101	268	117	654	218			
Liabilities									
Current liabilities	54	57	1,215	1,099	1,269	1,156			1
Long-term liabilities	653	128	6,211	5,276	6,864	5,404			
Total liabilities	707	185	7,426	6,375	8,133	6,560			1
Deferred inflows of resources	82	282	45	129	127	411			
Net position									
Net investment in capital assets	709	763	1,341	1,016	2,050	1,779			
Restricted			389	379	389	379			
Unrestricted (deficit)	(185)	64	2,156	1,918	1,971	1,982	495	410	
Total net position	\$ 524	\$ 1,068	\$ 3,886	\$ 3,313	\$ 4,410	\$ 4,140	\$ 495	\$ 410	

The largest portion of the City's net position (88.0%) reflects the net position of the business-type activities. In addition 46.0% of net position represents the City's investment in capital assets (e.g., land, buildings, equipment, furnishings, infrastructure, and water rights); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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.

The remaining balance of unrestricted net position \$1,970,934 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the government as a whole.

The second government-wide statement is the *statement of activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *statement of activities* is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and parks and recreation. Business-type activities include water, sewer and electric utilities and sanitation.

Fund Financial Statements:

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's individual funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has three proprietary funds, the Water and Sewer Fund, the Electric Fund, and the Sanitation Fund. Proprietary funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$318,203, an increase of \$13,833 in comparison with the prior year. 99.9% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is restricted for special purposes in the hotel/motel special revenue fund. The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Both unassigned and total fund balance represents 13.5% of total general fund expenditures. A general rule of thumb is for governments to maintain an unassigned fund balance of approximately 25% to 30% of total General Fund expenditures.

Budgetary Highlights

Budgets reflect the same pattern as seen in the revenue and expenditures of the City. To enhance the process of developing a budget, the City utilizes goals and objectives defined by the mayor and city aldermen, community input, long-term plans and

input from various staff groups. City priorities are well defined through this process.

The General Fund is the only major budgetary fund.

The following table examines the summary budget performance of the General Fund for the fiscal year ending September 30, 2019. Detail budget performance is examined through the Budgetary Comparison Schedule.

**Table 2
CITY OF TULIA, TEXAS
FUNDS EXPENDITURE BUDGET PERFORMANCE**

	Final Amended Budget	Actual Amounts Budgetary Basis	Variance
General Fund	\$ <u>2,348,057</u>	\$ <u>2,350,659</u>	\$ <u>(2,602)</u>

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets as of September 30, 2019, amounts to \$6,753,554 (net of accumulated depreciation of \$18,275,588). Capital additions totaling \$2,850,651 were made during the year, with \$58,630 in governmental activities and \$2,792,021 in business-type activities.

Long-term Debt: The City had five separate bond issuances outstanding as of September 30, 2019. Details on the City's debt obligations can be found in the notes to the financial statements.

Notes to the Financial Statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Summary and Future Outlook:

The state of finances in the City of Tulia remains stable. This continues with the changing economic trends in rural Texas communities. At this time last year, state tax policy for local government had not been determined. HB 2 was approved by the legislature and signed into law by the Governor last year. This will place tax revenue caps on Texas cities which will severely limit a major revenue resource for Tulia. Since the advent of the recent COVID-19 event, the Governor is relaxing the new limit to allow cities to revert to the old 8 per cent cap on the tax rate during the pandemic.

The City will continue to balance the utility revenue stream consisting of water, sewer, electric, and solid waste fees and charges with the general revenue stream which includes property taxes, the sales tax, and miscellaneous fees. The legislature has limited Texas cities on franchise fees with regard to the use of public rights-of-way. No longer will a city be able to receive a fee for both cable and telephone utility in the right-of-way. It will only receive the fee from the greater of the two utilities in the trench. This constitutes the additional erosion of local control and financial resources for use to benefit the public. The city is in a position this year and early next year to extend the contract for future purchases of electric wholesale power from AEP Energy Partners at a complete rate. In addition, the City completed installation of advanced meter infrastructure which will benefit the customer and the electric utility because of valuable data it produces and accurate measurement of power consumption.

In the coming budget for fiscal year 2021, the City will include funding in the budget for a rate study for all city utility systems and the solid waste service. The City needs this study to determine future rates for planning for system improvements and to assure adequate coverage for the current debt service. At least one year of consumption history from the new meter system will be used in the rate analysis. Landfill fees require examination since it is receiving additional waste from outside the city limits.

The City's landfill has a long life and the city will need to use this capacity for its own customers but put it to use in a strategic way to generate funds from outside the City.

This year will begin construction of a business park to develop lots for commercial uses. This will provide the City useable land to market to new and expanding businesses that are in Tulia or may relocate to Tulia. The United States Economic Development Administration with the Tulia Economic Development Corporation and the City of Tulia will jointly fund the development of this park located at the intersection of Interstate 27 and Texas Highway 86.

In conclusion the City will continue its conservative approach to finance to stretch the public dollar while taking advantage of its resources and stay attuned to the changing trends on the regional, state, national, and global levels and adjust as necessary.

Contacting the City's Financial Management:

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact City Hall at City of Tulia, P.O. Box 847, Tulia, Texas 79088.

BASIC FINANCIAL STATEMENTS

CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 575,919	\$ 1,516,899	\$ 2,092,818	\$ 332,202
Restricted cash for customer deposits	-	212,980	212,980	-
Restricted cash for construction	-	1,526,484	1,526,484	-
Restricted cash for debt service	-	388,671	388,671	-
Receivables, net	118,965	655,111	774,076	434
Internal balances	(518,604)	518,604	-	-
Due from other governments	41,693	-	41,693	20,846
Loans receivable - current portion	-	21,391	21,391	22,234
Loans receivable	-	203,709	203,709	119,371
Capital assets not being depreciated:				
Land	189,298	219,970	409,268	-
Construction in progress	-	445,252	445,252	-
Capital assets				
Buildings	138,164	328,672	466,836	-
Improvements other than buildings	830,020	1,785,740	2,615,760	-
Furniture and equipment	2,395,884	3,046,101	5,441,985	-
Infrastructure	899,332	11,440,709	12,340,041	-
Water rights	-	3,310,000	3,310,000	-
Less: Accumulated depreciation	(3,743,644)	(14,531,944)	(18,275,588)	-
Total assets	927,027	11,088,349	12,015,376	495,087
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding bonds	-	59,097	59,097	-
Pension contributions	75,968	41,136	117,104	-
Pension economic/demographic losses	394	213	607	-
Pension deficient earnings	304,456	164,860	469,316	-
Other postemployment benefit contributions	579	314	893	-
Other postemployment benefit assumption changes	3,926	2,125	6,051	-
Total deferred outflows of resources	385,323	267,745	653,068	-

Continued

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

CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Continuation	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
LIABILITIES				
Accounts payable	\$ 50,479	\$ 244,014	\$ 294,493	\$ -
Accrued interest	-	34,499	34,499	-
Customer deposits	-	212,980	212,980	-
Noncurrent liabilities:				
Due within one year	4,000	723,419	727,419	-
Due in more than one year	33,028	5,523,074	5,556,102	-
Landfill closure and post-closure costs	-	352,621	352,621	-
Net pension liability	545,344	295,299	840,643	-
Other postemployment benefit liability	74,150	40,152	114,302	-
Total liabilities	<u>707,001</u>	<u>7,426,058</u>	<u>8,133,059</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension economic/demographic gains	74,710	40,455	115,165	-
Other postemployment benefit economic/demographic gains	2,749	1,488	4,237	-
Other postemployment benefit assumption changes	4,156	2,251	6,407	-
Total deferred inflows of resources	<u>81,615</u>	<u>44,194</u>	<u>125,809</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	709,054	1,340,907	2,049,961	-
Restricted:				
By enabling legislation for special projects	10	-	10	-
Debt service	-	388,671	388,671	-
Unrestricted (deficit)	<u>(185,330)</u>	<u>2,156,264</u>	<u>1,970,934</u>	<u>495,087</u>
Total net position	<u>\$ 523,734</u>	<u>\$ 3,885,842</u>	<u>\$ 4,409,576</u>	<u>\$ 495,087</u>

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

CITY OF TULIA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Administration	\$ 390,329	\$ 14,683	\$ -	\$ -
Municipal court	31,686	64,366	-	-
Building maintenance	25,577	-	-	-
Financial administration	158,253	-	-	-
Legislative	130,360	-	-	-
Fire	70,264	-	30,000	-
Police	1,157,988	82,518	90,254	-
Streets	266,729	-	-	-
Parks	173,481	3,531	-	-
Total governmental activities	<u>2,404,667</u>	<u>165,098</u>	<u>120,254</u>	<u>-</u>
Business-Type Activities:				
Water and sewer utility	1,317,183	1,790,578	-	-
Electric utility	2,751,114	3,339,064	-	-
Sanitation utility	429,758	644,096	-	-
Total business-type activities	<u>4,498,055</u>	<u>5,773,738</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,902,722</u>	<u>\$ 5,938,836</u>	<u>\$ 120,254</u>	<u>\$ -</u>
Component Unit:				
Economic Development Corporation	<u>\$ 46,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes
Sales and use taxes
Franchise taxes
Hotel/Motel taxes
Alcoholic beverage taxes
Unrestricted investment earnings
Gain on disposal of assets
Miscellaneous
Transfers

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ (375,646)	\$ -	\$ (375,646)	\$ -
32,680	-	32,680	-
(25,577)	-	(25,577)	-
(158,253)	-	(158,253)	-
(130,360)	-	(130,360)	-
(40,264)	-	(40,264)	-
(985,216)	-	(985,216)	-
(266,729)	-	(266,729)	-
(169,950)	-	(169,950)	-
(2,119,315)	-	(2,119,315)	-
-	473,395	473,395	-
-	587,950	587,950	-
-	214,338	214,338	-
-	1,275,683	1,275,683	-
(2,119,315)	1,275,683	(843,632)	-
-	-	-	(46,961)
428,519	-	428,519	-
245,970	-	245,970	122,985
107,748	-	107,748	-
11,828	-	11,828	-
903	-	903	-
15,797	94,877	110,674	8,963
2,897	9,875	12,772	-
67,250	127,606	194,856	-
934,986	(934,986)	-	-
1,815,898	(702,628)	1,113,270	131,948
(303,417)	573,055	269,638	84,987
827,151	3,312,787	4,139,938	410,100
\$ 523,734	\$ 3,885,842	\$ 4,409,576	\$ 495,087

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

**CITY OF TULIA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General	Hotel Tax	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 282,352	\$ 2,206	\$ 284,558
Accounts receivables, net	73,487	660	74,147
Taxes receivable, net	21,785	-	21,785
Due from other governments	41,693	-	41,693
Total assets	\$ 419,317	\$ 2,866	\$ 422,183
LIABILITIES			
Accounts payable	\$ 47,623	\$ 2,856	\$ 50,479
Total liabilities	47,623	2,856	50,479
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	19,588	-	19,588
Unavailable revenue - other receivables	33,913	-	33,913
Total deferred inflows of resources	53,501	-	53,501
FUND BALANCES			
Restricted:			
Tourism	-	10	10
Unassigned	318,193	-	318,193
Total fund balances	318,193	10	318,203
Total liabilities, deferred inflows of resources, and fund balances	\$ 419,317	\$ 2,866	\$ 422,183

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

CITY OF TULIA, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	318,203
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		709,054
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		53,501
Pension and Other postemployment benefit losses, deficit earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension economic/demographic losses		394
Pension deficient earnings		304,456
Other postemployment benefit assumption changes		3,926
Pension and Other postemployment benefit contributions paid after the measurement date, December 31, 2018, and before September 30, 2019 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		75,968
Other postemployment benefit contributions		579
Pension and Other postemployment benefit gains, excess earnings, and assumption changes are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(74,710)
Other postemployment benefit economic/demographic gains		(2,749)
Other postemployment benefit assumption changes		(4,156)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Compensated absences		(37,028)
Net pension liability		(545,344)
Other postemployment benefit liability		(74,150)
The assets and liabilities of internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (netted for capital assets reported above and the portion allocated to business-type activities)		(204,210)
Net position - governmental activities	\$	523,734

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

CITY OF TULIA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Hotel Tax</u>	<u>Total Governmental</u>
REVENUES			
Taxes:			
Property	\$ 427,878	\$ -	\$ 427,878
Sales	245,970	-	245,970
Franchise	107,748	-	107,748
Hotel/Motel	-	11,828	11,828
Mixed beverage	903	-	903
Licenses and fees	21,178	-	21,178
Fines and forfeitures	113,857	-	113,857
Intergovernmental	120,254	-	120,254
Investment earnings	3,261	43	3,304
Miscellaneous	52,643	-	52,643
	<u>1,093,692</u>	<u>11,871</u>	<u>1,105,563</u>
Total revenues			
EXPENDITURES			
Current:			
Administration	357,677	-	357,677
Municipal court	31,582	-	31,582
Building maintenance	25,492	-	25,492
Financial administration	151,960	-	151,960
Legislative	130,360	-	130,360
Fire	70,032	-	70,032
Police	1,113,540	-	1,113,540
Streets	260,201	-	260,201
Recreation and culture	-	11,871	11,871
Parks	151,186	-	151,186
Capital Outlay	58,630	-	58,630
	<u>2,350,660</u>	<u>11,871</u>	<u>2,362,531</u>
Total expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,256,968)</u>	<u>-</u>	<u>(1,256,968)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	2,897	-	2,897
Transfers in	1,296,408	-	1,296,408
Transfers out	(28,504)	-	(28,504)
	<u>1,270,801</u>	<u>-</u>	<u>1,270,801</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCES	13,833	-	13,833
FUND BALANCES - BEGINNING	<u>304,360</u>	<u>10</u>	<u>304,370</u>
FUND BALANCES - ENDING	<u>\$ 318,193</u>	<u>\$ 10</u>	<u>\$ 318,203</u>

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

CITY OF TULIA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$	13,833
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlays, \$58,630, were exceeded by depreciation, \$112,506, in the current period.</p>		
		(53,876)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>		
		30,704
<p>Changes in pension and other postemployment benefits related liabilities, outflows, and inflows reported in the government-wide Statement of Activities are not reported in the governmental funds as revenues or expenditures.</p>		
		(39,306)
<p>Accrued compensated absences are not reported as an expenditure in the governmental funds. This is the change in the accrual amounts for the year reported in the government-wide Statement of Activities.</p>		
		1
<p>Internal service funds are used by management to charge the costs of maintenance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. The total change in net position of the internal service funds (\$12,017) less the amount charged to business-type activities (\$266,790) is the amount of the internal service fund charged to governmental activities.</p>		
		<u>(254,773)</u>
Change in net position - governmental activities	\$	<u><u>(303,417)</u></u>

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

**CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan		Internal Service
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 49,917	\$ 1,227,096	\$ 223,114	\$ 16,772	\$ 1,516,899	\$ 291,361
Restricted cash - customer deposits	64,443	148,537	-	-	212,980	-
Restricted cash - construction	1,241,170	285,314	-	-	1,526,484	-
Restricted cash - debt service	173,174	215,497	-	-	388,671	-
Receivables, net	171,854	407,715	75,542	-	655,111	23,033
Notes receivable - current portion	-	-	-	21,391	21,391	-
Notes receivable	-	-	-	203,709	203,709	-
	<u>1,700,558</u>	<u>2,284,159</u>	<u>298,656</u>	<u>241,872</u>	<u>4,525,245</u>	<u>314,394</u>
Total current assets						
Noncurrent assets:						
Capital assets:						
Land	152,354	67,616	-	-	219,970	-
Construction in progress	59,326	385,926	-	-	445,252	-
Buildings	321,205	4,251	3,216	-	328,672	-
Improvements other than buildings	1,323,672	447,920	14,148	-	1,785,740	-
Furniture and equipment	972,115	985,602	1,088,384	-	3,046,101	-
Infrastructure	6,358,873	5,081,836	-	-	11,440,709	-
Water rights	3,310,000	-	-	-	3,310,000	-
Less accumulated depreciation	(9,569,721)	(4,168,664)	(793,559)	-	(14,531,944)	-
	<u>2,927,824</u>	<u>2,804,487</u>	<u>312,189</u>	<u>-</u>	<u>6,044,500</u>	<u>-</u>
Total noncurrent assets						
	<u>4,628,382</u>	<u>5,088,646</u>	<u>610,845</u>	<u>241,872</u>	<u>10,569,745</u>	<u>314,394</u>
Total assets						
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding bonds	-	59,097	-	-	59,097	-
Pension contributions	11,426	19,407	10,303	-	41,136	-
Pension economic/demographic losses	59	101	53	-	213	-
Pension deficient earnings	45,790	77,778	41,292	-	164,860	-
Other postemployment benefit contributions	87	148	79	-	314	-
Other postemployment benefit assumption changes	590	1,003	532	-	2,125	-
	<u>57,952</u>	<u>157,534</u>	<u>52,259</u>	<u>-</u>	<u>267,745</u>	<u>-</u>
Total deferred outflows of resources						

Continued

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

**CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan	Total Enterprise Funds	Internal Service
LIABILITIES						
Continuation						
Current liabilities:						
Accounts payable	\$ 29,986	\$ 202,993	\$ 11,035	\$ -	\$ 244,014	\$ -
Accrued interest	21,670	3,518	9,311	-	34,499	-
Customer deposits	64,443	148,537	-	-	212,980	-
Compensated absences - current	-	1,000	1,000	-	2,000	-
Capital leases payable - current	18,502	-	59,539	-	78,041	-
Long-term debt obligations - current	458,378	185,000	-	-	643,378	-
Total current liabilities	<u>592,979</u>	<u>541,048</u>	<u>80,885</u>	<u>-</u>	<u>1,214,912</u>	<u>-</u>
Noncurrent liabilities:						
Accrued compensated absences	2,593	5,663	6,160	-	14,416	-
Capital leases payable	-	-	100,147	-	100,147	-
Long-term debt obligations	4,568,182	840,329	-	-	5,408,511	-
Landfill closure and post-closure costs	-	-	352,621	-	352,621	-
Net pension liability	82,020	139,317	73,962	-	295,299	-
Other postemployment benefit liability	11,152	18,943	10,057	-	40,152	-
Total noncurrent liabilities	<u>4,663,947</u>	<u>1,004,252</u>	<u>542,947</u>	<u>-</u>	<u>6,211,146</u>	<u>-</u>
Total liabilities	<u>5,256,926</u>	<u>1,545,300</u>	<u>623,832</u>	<u>-</u>	<u>7,426,058</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Pension economic/demographic gains	11,236	19,086	10,133	-	40,455	-
Other postemployment benefit economic/demographic gains	413	702	373	-	1,488	-
Other postemployment benefit assumption changes	625	1,062	564	-	2,251	-
Total deferred outflows of resources	<u>12,274</u>	<u>20,850</u>	<u>11,070</u>	<u>-</u>	<u>44,194</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	409,181	779,222	152,504	-	1,340,907	-
Restricted for debt services	173,174	215,497	-	-	388,671	-
Unrestricted (deficit)	<u>(1,165,221)</u>	<u>2,685,311</u>	<u>(124,302)</u>	<u>241,872</u>	<u>1,637,660</u>	<u>314,394</u>
Total net position	<u>\$ (582,866)</u>	<u>\$ 3,680,030</u>	<u>\$ 28,202</u>	<u>\$ 241,872</u>	<u>3,367,238</u>	<u>\$ 314,394</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time					<u>518,604</u>	
Net Position of business-type activities					<u>\$ 3,885,842</u>	

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

CITY OF TULIA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities			
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan
OPERATING REVENUES:				
Charges for Services:				
Charges for services	\$ 1,790,578	\$ 3,339,064	\$ 644,096	\$ -
Miscellaneous	7,788	59,655	60,163	-
Internal service charges	-	-	-	-
Total operating revenues	<u>1,798,366</u>	<u>3,398,719</u>	<u>704,259</u>	<u>-</u>
OPERATING EXPENSES:				
Personnel costs	216,914	377,328	212,165	-
Supplies and materials	45,012	34,145	54,342	-
Maintenance	233,568	58,323	35,257	-
Contractual services	285,486	40,269	19,510	-
Other expenses	88,366	161,865	8,689	-
Electric purchases	-	1,864,433	-	-
Depreciation	241,538	170,089	60,406	-
Intercity charges	189,496	20,000	108,691	-
Landfill closure costs	-	-	11,071	-
Insurance claims and premiums	-	-	-	-
Total operating expenses	<u>1,300,380</u>	<u>2,726,452</u>	<u>510,131</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>497,986</u>	<u>672,267</u>	<u>194,128</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	34,498	53,339	3,606	3,434
Interest and fiscal charges	(141,780)	(39,822)	(11,030)	-
Bond issuance costs	(35,250)	-	-	-
Insurance recoveries	-	-	-	-
Gain on disposition of assets	9,875	-	-	-
Total nonoperating revenues (expenses)	<u>(132,657)</u>	<u>13,517</u>	<u>(7,424)</u>	<u>3,434</u>
INCOME (LOSS) BEFORE TRANSFERS	365,329	685,784	186,704	3,434
TRANSFERS, net	<u>(1,548,540)</u>	<u>644,333</u>	<u>(30,779)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(1,183,211)</u>	<u>1,330,117</u>	<u>155,925</u>	<u>3,434</u>
NET POSITION - BEGINNING	<u>600,345</u>	<u>2,349,913</u>	<u>(127,723)</u>	<u>238,438</u>
NET POSITION - ENDING (deficit)	<u>\$ (582,866)</u>	<u>\$ 3,680,030</u>	<u>\$ 28,202</u>	<u>\$ 241,872</u>
Change in Net Position	<u>\$ (1,183,211)</u>	<u>\$ 1,330,117</u>	<u>\$ 155,925</u>	<u>\$ 3,434</u>
Adjustment for the net effect of the current year activity between the internal service fund and the business-type activity - enterprise funds				
Changes in Net Position of business-type activities				

<u>Total</u> <u>Enterprise Funds</u>	<u>Governmental</u> <u>Activities</u> <u>Internal</u> <u>Service</u>
\$ 5,773,738	\$ -
127,606	-
-	673,432
5,901,344	673,432
806,407	-
133,499	-
327,148	57,611
345,265	-
258,920	-
1,864,433	-
472,033	-
318,187	-
11,071	-
-	297,986
4,536,963	355,597
1,364,381	317,835
94,877	12,493
(192,632)	-
(35,250)	-
-	14,607
9,875	-
(123,130)	27,100
1,241,251	344,935
(934,986)	(332,918)
306,265	12,017
3,060,973	302,377
\$ 3,367,238	\$ 314,394
\$ 306,265	
266,790	
\$ 573,055	

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

**CITY OF TULIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Business-Type Activities	
	Water/Sewer Utility	Electric Utility
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,786,799	\$ 3,316,015
Receipts for internal service charges	-	-
Payments to employees for salaries and benefits	(204,053)	(352,097)
Payments to suppliers and service providers	(703,908)	(2,121,881)
Payments for issuance of revolving loans	-	-
Payments for health insurance claims	-	-
Payments for insurance premiums	-	-
Payments for interfund services used	(189,496)	(20,000)
Net cash provided (used) by operating activities	<u>689,342</u>	<u>822,037</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers between other funds	(1,548,540)	644,333
Net cash provided (used) by non-capital financing activities	<u>(1,548,540)</u>	<u>644,333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(395,872)	(185,000)
Interest paid on capital debt	(148,887)	(32,500)
Proceeds from long-term debt	1,245,000	-
Bond issuance costs	(35,250)	-
Acquisition or construction of capital assets	(1,154,301)	(1,446,739)
Insurance recoveries	-	-
Proceeds from sale of capital assets	9,875	-
Net cash provided (used) used for capital and related financing activities	<u>(479,435)</u>	<u>(1,664,239)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	34,498	53,339
Net cash provided by investing activities	<u>34,498</u>	<u>53,339</u>
NET INCREASE / (DECREASE) IN CASH	(1,304,135)	(144,530)
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	<u>2,832,839</u>	<u>2,020,974</u>
CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)	<u><u>\$ 1,528,704</u></u>	<u><u>\$ 1,876,444</u></u>

Business-Type Activities			Governmental
Sanitation Utility	Revolving Loan	Total Enterprise Funds	Activities Internal Service
\$ 693,841	\$ 16,236	\$ 5,812,891	\$ -
-	-	-	674,688
(204,746)	-	(760,896)	-
(109,621)	-	(2,935,410)	(57,611)
-	(190,000)	(190,000)	-
-	-	-	(10,666)
-	-	-	(292,230)
(108,691)	-	(318,187)	-
<u>270,783</u>	<u>(173,764)</u>	<u>1,608,398</u>	<u>314,181</u>
(30,779)	-	(934,986)	(332,918)
<u>(30,779)</u>	<u>-</u>	<u>(934,986)</u>	<u>(332,918)</u>
(35,964)	-	(616,836)	-
(2,726)	-	(184,113)	-
122,383	-	1,367,383	-
-	-	(35,250)	-
(190,981)	-	(2,792,021)	-
-	-	-	14,607
-	-	9,875	-
<u>(107,288)</u>	<u>-</u>	<u>(2,250,962)</u>	<u>14,607</u>
<u>3,606</u>	<u>3,434</u>	<u>94,877</u>	<u>12,493</u>
<u>3,606</u>	<u>3,434</u>	<u>94,877</u>	<u>12,493</u>
136,322	(170,330)	(1,482,673)	8,363
<u>86,792</u>	<u>187,102</u>	<u>5,127,707</u>	<u>282,998</u>
<u>\$ 223,114</u>	<u>\$ 16,772</u>	<u>\$ 3,645,034</u>	<u>\$ 291,361</u>

Continued

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

**CITY OF TULIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Business-Type Activities	
	Water/Sewer Utility	Electric Utility
Continuation		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 497,986	\$ 672,267
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	241,538	170,089
Change in landfill closure cost liability	-	-
Change in allowance for doubtful accounts	56,376	99,210
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(69,233)	(186,906)
(Increase) decrease in notes receivable	-	-
(Increase) decrease in deferred outflows of pension	(44,978)	(78,162)
(Increase) decrease in deferred outflows of OPEB	113	77
Increase (decrease) in accounts payable	(51,476)	37,154
Increase (decrease) in accrued expenses	1,283	412
Increase (decrease) in pension liability	80,288	136,623
Increase (decrease) in OPEB liability	474	2,337
Increase (decrease) in customer deposits	1,290	4,992
Increase (decrease) in deferred inflows of pension	(25,357)	(37,820)
Increase (decrease) in deferred inflows of OPEB	1,038	1,764
	<u>\$ 689,342</u>	<u>\$ 822,037</u>
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:		
Amortization of deferred bond premiums	\$ 10,311	\$ 4,066
Amortization of deferred charge on refunding	-	(11,819)
	<u>\$ 10,311</u>	<u>\$ (7,753)</u>

Business-Type Activities			Governmental
Sanitation Utility	Revolving Loan	Total Enterprise Funds	Activities Internal Service
\$ 194,128	\$ -	\$ 1,364,381	\$ 317,835
60,406	-	472,033	-
11,071	-	11,071	-
8,689	-	164,275	-
(19,107)	-	(275,246)	1,256
-	(173,764)	(173,764)	-
(39,739)	-	(162,879)	-
153	-	343	-
8,177	-	(6,145)	(4,910)
(630)	-	1,065	-
72,285	-	289,196	-
(284)	-	2,527	-
-	-	6,282	-
(25,303)	-	(88,480)	-
937	-	3,739	-
<u>\$ 270,783</u>	<u>\$ (173,764)</u>	<u>\$ 1,608,398</u>	<u>\$ 314,181</u>
\$ -	\$ -	\$ 14,377	\$ -
-	-	(11,819)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,558</u>	<u>\$ -</u>

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

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description of Reporting Entity

The City of Tulia, Texas (the “City”) is a municipality operating under the applicable laws and regulations of the State of Texas. It is governed by a five member City Council (the “Council”) elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Government Accounting Standards Board; and it complies with the requirements of contracts and grants of agencies from which it receives funds. The City provides the following services: police and fire protection, streets, culture and recreation, and general administrative services. In addition, the City maintains a sanitation operation, as well as electric, water and wastewater utility systems. The significant accounting policies are described below.

The Council is elected by the public and it has the authority to make decisions, appoint administrators and management, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 61, “*The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement No. 14 and No. 34.*”

Discretely presented component unit

In 2009, the Tulia Economic Development Corporation (TEDC) was incorporated by the State of Texas. The purpose of the corporation is to promote and develop industrial, manufacturing, and retail enterprises, and to promote and develop new and expanded business enterprises, and to promote and encourage employment and the public welfare of the City. The board of directors is appointed by the City Council. The Corporation’s revenues are derived from a portion of the City’s sales tax collections.

B. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are inter-related. The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds, and the internal service fund, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule would be charges between enterprise funds and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Basis of Presentation – Government-wide Financial Statements – Continuation

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

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category, governmental and proprietary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, fees, fines, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

The Water/Sewer Utility Fund accounts for the water supply, distribution, billing, and maintenance activities of the City. It also accounts for the wastewater billings, collections, and maintenance activities of the City.

The Electric Utility Fund accounts for the electricity supply, distribution, billing and maintenance activities of the City.

The Sanitation Fund accounts for the billing, collection, transportation, and disposal of garbage, refuse, and other waste products of the City.

The Revolving Loan Fund accounts for various loans of federally awarded grants to local businesses in an effort to improve local economic development.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Basis of Presentation – Fund Financial Statements – Continuation

The City reports the following internal service funds:

The Capital Replacement Fund is used to pay for capital expenditures of the City. The operating departments transfer to the fund an amount equal to the department's capital expenditures budget. All capital expenditures, as well as some expenditures for major repairs and supplies, are made out of the capital replacement fund. The capital expenditure is then recorded in the appropriate fund by showing it as transfer out of the capital replacement fund and a transfer into the fund for which the purchase was made.

The Health Insurance Fund is used to account for the financing of health services provided by the City on a cost-reimbursement basis.

In addition, the City reports the following special revenue fund:

The Hotel/Motel Tax Fund accounts for the tax revenue from hotels and motels in the City.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/due from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in government activities are eliminated so that only the net amount is included as transfers in the government activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Measurement Focus and Basis of Accounting – Continuation

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as they are both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, and all of the Proprietary Funds.

The appropriate budget is prepared by fund and function, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

For the fiscal year, expenditures exceeded appropriations for administration, financial administration, and capital outlay in the General Fund. These overspendings were covered by utilizing a carryover of prior year fund balance and transfers from other funds.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

b. Receivable and Payable Balances

Receivables include trade, delinquent taxes, and municipal court fees and fines, all of which are shown net of an allowance for estimated uncollectible amounts. As of September 30, 2019, the allowance for estimated uncollectible delinquent taxes was \$32,679 and the allowance for estimated uncollectible municipal court fees and fines was \$83,610.

Payables consist of vendor obligations for goods and services and funds payable to others when the criteria for their release have been met.

c. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. 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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Land is not depreciated. Buildings, improvements, equipment, and infrastructure assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	7 - 50 years
Improvements other than buildings	7 - 50 years
Furniture and equipment	5 - 50 years
Infrastructure	5 - 50 years
Water rights	40 years

d. Inter-fund Activity

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

e. Use of Estimates

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

f. 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 are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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 withheld from the actual debt proceeds received are reported as debt service expenditures.

g. Deferred Outflows/Inflows of Resources

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items that qualify for reporting in this category. They are the contributions and other items related to the City's pension plan and other postemployment benefit plan and the deferred charge on refunding reported in the government-wide statement of net position and the proprietary fund statement of net position.

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The City reports unavailable revenues from property taxes and municipal court receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the City's pension plan and other postemployment benefit plan reported in the government-wide statement of net position.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

h. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Texas Municipal Retirement System Plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

i. Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

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

j. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, long-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants, court receipt restrictions (municipal technology fund) or charter restrictions.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

j. Fund Balance – Continuation

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the Council in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Assigned fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the Commission in form of a resolution. Assignments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

Fund balance flow assumptions:

When multiple categories of fund balances are available for expenditure (for example, a construction project is funded partly by grant money, funds set aside by the Council, and unassigned fund balance) the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

G. Revenues and Expenditures/Expenses

a. Program Revenues

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 program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

G. Revenues and Expenditures/Expenses – Continuation

c. **Compensated Absences**

Employees of the City are entitled to paid vacation, paid sick days and personal days off, depending on full-time status, and other factors. Vacation is accrued base on length of service. Employees may earn a total of 80 hours of vacation per year with 1-10 years of service, 120 hours per year with 10-20 years of service, and 160 hours per year with 20 years of service and over. Vacation time cannot exceed the maximum hours based on service at any given time. Employees are paid any unused vacation time up to two weeks upon termination. Employees accrue 8 hours of sick leave per month not to exceed 720 total hours. No sick leave is paid upon termination. Each employee is given one personal day off per year that does not carry over to subsequent years.

d. **Proprietary Funds Operating and Non-operating Revenues and Expenses**

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City’s enterprise funds are charges to customers for sales and services. The City 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 include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

H. Compliance and Accountability

a. **Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Expenditures exceeded the budget in various functional areas in the General Fund	A combination of underspending in other functional categories, and excess revenues over budget, have covered such overspendings.

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2019:

Cash and deposit balances consist of:

Petty cash funds	\$	300
Bank deposits		4,552,556
		4,552,556
Total	\$	4,552,856

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	2,092,519
Restricted for customer deposits		212,980
Restricted for construction		1,526,484
Restricted for debt service		388,671
Component unit - unrestricted		332,202
		332,202
Total	\$	4,552,856

Custodial credit risk – deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2019 the City’s deposits with financial institutions was \$4,552,856 and \$250,000 of that amount was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$4,474,410 was collateralized with securities held by the pledging of institution’s agent in the City’s name.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The City manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government pools to those rated to no lower than AAA or an equivalent rating by at least on nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of September 30, 2019, 100% of the City’s funds were being held at the City’s depository and were adequately secured as described above.

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 – CAPITAL ASSETS

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

Primary Government:

<u>Governmental activities:</u>	Beginning Balances As restated	Increases	Decreases	Transfers / Reclassifications	Ending Balances
Capital assets not being depreciated:					
Land	\$ 189,298	\$ -	\$ -	\$ -	\$ 189,298
Total capital assets not being depreciated	<u>189,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,298</u>
Capital assets being depreciated:					
Buildings	138,164	-	-	-	138,164
Improvements other than buildings	830,020	-	-	-	830,020
Furniture and equipment	2,516,580	58,630	(179,326)	-	2,395,884
Infrastructure	899,332	-	-	-	899,332
Total capital assets being depreciated	<u>4,384,096</u>	<u>58,630</u>	<u>(179,326)</u>	<u>-</u>	<u>4,263,400</u>
Less accumulated depreciating for:					
Buildings	(138,164)	-	-	-	(138,164)
Improvements other than buildings	(560,906)	(21,885)	-	-	(582,791)
Furniture and equipment	(2,216,732)	(86,940)	179,326	-	(2,124,346)
Infrastructure	(894,662)	(3,681)	-	-	(898,343)
Total accumulated depreciation	<u>(3,810,464)</u>	<u>(112,506)</u>	<u>179,326</u>	<u>-</u>	<u>(3,743,644)</u>
Total capital assets being depreciated, net	<u>573,632</u>	<u>(53,876)</u>	<u>-</u>	<u>-</u>	<u>519,756</u>
Governmental activities capital assets, net	<u>\$ 762,930</u>	<u>\$ (53,876)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,054</u>

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

Governmental activities:	
Administration	\$ 8,116
Public safety	19,645
Streets	82,949
Parks	1,796
Total depreciation expense-governmental activities	<u>\$ 112,506</u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 – CAPITAL ASSETS – Continuation

	Beginning Balances As restated	Increases	Decreases	Transfers / Reclassification	Ending Balances
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 234,118	\$ -	\$ -	\$ (14,148)	\$ 219,970
Construction in progress	524,187	2,571,719	(2,650,654)	-	445,252
Total capital assets not being depreciated	<u>758,305</u>	<u>2,571,719</u>	<u>(2,650,654)</u>	<u>(14,148)</u>	<u>665,222</u>
Capital assets being depreciated:					
Buildings	328,672	-	-	-	328,672
Improvements other than buildings	1,771,592	-	-	14,148	1,785,740
Furniture and equipment	2,839,969	220,302	(14,170)	-	3,046,101
Infrastructure	8,790,055	2,650,654	-	-	11,440,709
Water rights	3,310,000	-	-	-	3,310,000
Total capital assets being depreciated	<u>17,040,288</u>	<u>2,870,956</u>	<u>(14,170)</u>	<u>14,148</u>	<u>19,911,222</u>
Less accumulated depreciation for:					
Buildings	(328,672)	-	-	-	(328,672)
Improvements other than buildings	(1,431,994)	(70,400)	-	-	(1,502,394)
Furniture and equipment	(2,390,508)	(124,604)	14,170	-	(2,500,942)
Infrastructure	(7,549,084)	(194,279)	-	-	(7,743,363)
Water rights	(2,373,823)	(82,750)	-	-	(2,456,573)
Total accumulated depreciation	<u>(14,074,081)</u>	<u>(472,033)</u>	<u>14,170</u>	<u>-</u>	<u>(14,531,944)</u>
Total capital assets being depreciated, net	<u>2,966,207</u>	<u>2,398,923</u>	<u>-</u>	<u>14,148</u>	<u>5,379,278</u>
Business-type activities capital assets, net	<u>\$ 3,724,512</u>	<u>\$ 4,970,642</u>	<u>\$ (2,650,654)</u>	<u>\$ -</u>	<u>\$ 6,044,500</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:	
Water/Sewer department	\$ 241,538
Electric department	170,089
Sanitation department	<u>60,406</u>
Total depreciation expense-business-type activities	<u>\$ 472,033</u>

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – INTER-FUND TRANSFERS

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 1,296,408	\$ 28,504
Proprietary Funds:		
Water/Sewer Fund	251,388	1,799,928
Electric Fund	1,421,322	776,989
Sanitation Fund	104,712	135,491
Internal Service Funds:		
Capital Replacement Fund	-	332,918
	<u>\$ 3,073,830</u>	<u>\$ 3,073,830</u>

The primary purpose of inter-fund transfers is to record capital expenditures made out of the Capital Replacement Fund in the funds for which the purchase was made. Additionally, the City charges a portion of operational expenses from the General Fund to the various other departments to more accurately reflect the true costs of running each department.

NOTE 5 – LOANS RECEIVABLE

The City, through the Revolving Loan Fund, as well as the Tulia Economic Development Corporation, routinely loans various amounts of federally awarded grants to local businesses in an effort to improve local economic development. The loans are various lengths, typically from five to ten years, and interest rates range from 0% - 10%. The loans are typically collateralized by deeds of trusts, on assets of the business and personal guarantees.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Loans receivable	\$ 82,736	\$ 190,000	\$ (16,236)	\$ 256,500	\$ 21,391
Less: Allowance for uncollectible accounts	(31,400)	-	-	(31,400)	-
Total Business-Type Activities					
Loans Receivables	<u>\$ 51,336</u>	<u>\$ 190,000</u>	<u>\$ (16,236)</u>	<u>\$ 225,100</u>	<u>\$ 21,391</u>
Component Unit:					
Loans receivable	\$ 61,179	\$ 100,000	\$ (19,544)	\$ 141,635	\$ 22,234
Less: Allowance for uncollectible accounts	(30)	-	-	(30)	-
Total Component Unit					
Loans Receivables	<u>\$ 61,149</u>	<u>\$ 100,000</u>	<u>\$ (19,544)</u>	<u>\$ 141,605</u>	<u>\$ 22,234</u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 – LOANS RECEIVABLE – Continuation

The annual receivable on long-term receivables outstanding as September 30, 2019, is as follows:

Years Ending September 30	Total	Business-Type Activities		Component Unit	
		Principal	Interest	Principal	Interest
2020	\$ 56,676	\$ 21,391	\$ 10,096	\$ 22,234	\$ 2,955
2021	57,877	24,905	6,464	24,530	1,978
2022	51,155	25,669	5,700	18,137	1,649
2023	41,171	23,691	4,919	11,144	1,417
2024	44,886	18,859	14,860	9,947	1,220
2025-2029	171,281	104,844	10,598	52,831	3,008
2030	8,564	5,741	31	2,782	10
Total	<u>\$ 431,610</u>	<u>\$ 225,100</u>	<u>\$ 52,668</u>	<u>\$ 141,605</u>	<u>\$ 12,237</u>

The allowance for uncollectible accounts is comprised of all past due balances on any of the loans.

NOTE 6 – LONG-TERM DEBT

1. Long-Term Debt Activity

In October 2013, the City issued \$735,000 of Combination Tax and Waterworks and Sewer System Limited Pledge Surplus Revenue Certificates of Obligation, Series 2013, (the 2013 Obligations), that will be used for improvements and renovations to the City’s Waterworks and Sewer System. The 2013 Obligations will be repaid through ad valorem taxes, within the limits prescribed by law. The 2013 Obligations are due and payable between February 15, 2014 and February 15, 2024, and carry a fixed interest rate of 2.8%.

In June 2018, the City issued \$2,715,000 of Certificates of Obligation, Series 2018, (the 2018 Obligations), that will be used for the construction of public works, including the purchase of materials, supplies, equipment, machinery, technology, structures, land, and rights-of-way, and other eligible capital costs related to improvements to water metering systems, electric metering systems, advanced metering infrastructure, and street lighting. The 2018 Obligations will be repaid through ad valorem taxes, within the limits prescribed by law. The 2018 Obligations are due and payable between February 15, 2019 and February 15, 2033, and carry a fixed interest rate of 4.0%.

In July 2019, the City issued \$1,245,000 of Combination Tax and Revenue Certificates of Obligation, Series 2019, (the 2019 Obligations), that will be used for the construction, reconstruction and improvement of sidewalks, streets and roads. The 2019 Obligations will be repaid through ad valorem taxes, within the limits prescribed by law. The 2019 Obligations are due and payable between February 15, 2020 and February 15, 2034, and carry a fixed interest rate of 2.8%.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM DEBT – Continuation

Advance Refunding

During the year ended September 30, 2012, the City issued \$2,075,000 of General Obligation Refunding Bonds, Series 2012 (the 2012 Refunding Bonds), with interest rates ranging between 2.0% and 3.0%. The City issued the bonds to advance refund the \$1,990,000 Combination Tax and Power and Light System Surplus Revenue Certificates of Obligation, Series 2003 (the 2003 Obligations), with interest rates ranging from 3.75% - 4.70%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003 Obligations are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying of the old debt by \$153,651. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The City advanced refunded the 2003 Obligations to reduce its total debt service payments over 13 years by \$166,485 and to obtain an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$139,879.

In October 2013, the City issued \$810,000 of General Obligation Refunding Bonds, Series 2013A (the 2013A Refunding Bonds), that will be used to refund the City's proportionate share of certain obligations of the Mackenzie Municipal Water Authority (MMWA). Specifically, the 2013A Refunding Bonds were issued to refund \$255,000 of Mackenzie Municipal Water Authority Contract Revenue Bonds Series 1982 and \$640,000 of Mackenzie Municipal Water Authority Contract Revenue Bonds Series 2011. The 2013A Refunding Bonds were issued in order to achieve debt service savings for the City. As a result of the advance refunding, the City reduced its total general obligation debt service requirement by \$254,375, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt when refunded) of \$64,201. Proceeds from the 2013A Refunding Bonds along with a payment of \$131,835 from the MMWA were transferred to a fiscal agent to be held until the MMWA bonds being refunded are paid.

The 2013A Refunding Bonds bear an interest rate of 2.88%, payable on February 15 and August 15 of each year and have a maturity date of September 30, 2022.

Water Tank/Tower Maintenance Contracts

During the year ended September 30, 2013, the City entered into five long-term contracts with a utility service company to provide professional services to renovate and maintain the City's four water tanks and one water tower. Each contract is described below.

The first contract is related to the 500,000 GST Railroad Tank and requires annual payments of \$39,114 for the first eight (8) years of which \$25,895 is allocated to payment of the long-term renovation obligation and \$13,219 is allocated to maintenance expense. For contract years 9 through 11 the annual payments are reduced to \$13,219 and are allocated entirely to maintenance expense. In contract year 12 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

The second contract is related to the 200,000 GST North Donley Tank and requires annual payments of \$22,561 for the first ten (10) years, of which \$10,568 is allocated to payment of the long-term renovation obligation and \$11,993 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to \$11,993 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

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CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM DEBT – Continuation

The third contract is related to the 400,000 GST West I-27 Tank and requires annual payments of \$15,324 for the first ten (10) years, of which \$3,331 is allocated to payment of the long-term renovation obligation and \$11,993 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to \$11,993 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

The fourth contract is related to the 500,000 GST South Booster Tank and requires annual payments of \$30,999 for the first ten (10) years, of which \$16,210 is allocated to payment of the long-term renovation obligation and \$14,789 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to \$14,789 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

The fifth contract is related to the 500,000 Gallon North Bowie Tower and requires annual payments of \$32,307 for the first ten (10) years, of which \$9,095 is allocated to payment of the long-term renovation obligation and \$23,212 is allocated to maintenance expense. For contract years 11 through 13 the annual payments are reduced to \$23,212 and are allocated entirely to maintenance expense. In contract year 14 and each third anniversary thereafter, the annual maintenance fee is adjusted to reflect the current cost of service. The adjustment to the annual fee is limited to a maximum of 5% per annum.

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

Primary Government:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 37,029	\$ 27,414	\$ (27,415)	\$ 37,028	\$ 4,000
Total Governmental Activities Long-Term Liabilities	<u>\$ 37,029</u>	<u>\$ 27,414</u>	<u>\$ (27,415)</u>	<u>\$ 37,028</u>	<u>\$ 4,000</u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM DEBT – Continuation

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2012 General Obligation Refunding Bonds	\$ 1,190,000	\$ -	\$ (185,000)	\$ 1,005,000	\$ 185,000
2013 Combination Tax and Revenue Certificates	606,000	-	(77,000)	529,000	92,000
2013A General Obligation Refunding Bonds	673,000	-	(121,000)	552,000	113,000
2018 Certificates of Obligation	2,545,000	-	(120,000)	2,425,000	130,000
2019 Combination Tax and Revenue Certificates		1,245,000	-	1,245,000	68,000
Deferred issuance premiums	<u>179,059</u>	<u>-</u>	<u>(14,377)</u>	<u>164,682</u>	<u>-</u>
 Total bonds payable	 5,193,059	 1,245,000	 (517,377)	 5,920,682	 588,000
 Water Tower Renovations	 191,240	 -	 (60,033)	 131,207	 55,378
Capital Leases	109,607	122,383	(53,802)	178,188	78,041
Compensated Absences	<u>15,351</u>	<u>17,511</u>	<u>(16,446)</u>	<u>16,416</u>	<u>2,000</u>
 Business-Type Activities Long-Term Liabilities	 <u>\$ 5,509,257</u>	 <u>\$ 1,384,894</u>	 <u>\$ (647,658)</u>	 <u>\$ 6,246,493</u>	 <u>\$ 723,419</u>

During prior years, compensated absences have been typically liquidated by the General Fund for governmental activities and by the Proprietary Fund in which the liability has been incurred for all business-type activities. The City does not anticipate any changes in the future for liquidation of these types of liabilities from how they have been liquidated in the past.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2019, are as follows:

Business-Type Activities		General Obligation Refunding Bonds, Series 2012		Combination Tax and Revenue Certificates Series 2013		General Obligation Refunding Bonds, Series 2013A	
Years Ending September 30	Total	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 828,166	\$ 185,000	\$ 27,375	\$ 92,000	\$ 13,524	\$ 113,000	\$ 14,270
2021	811,874	195,000	21,675	89,000	10,990	120,000	10,915
2022	816,342	200,000	15,750	93,000	8,442	123,000	7,416
2023	779,841	210,000	9,600	97,000	5,782	125,000	3,845
2024	778,887	215,000	3,225	158,000	2,212	71,000	1,022
2025-2029	1,640,424	-	-	-	-	-	-
2030-2034	1,413,604	-	-	-	-	-	-
Total	\$ 7,069,138	\$ 1,005,000	\$ 77,625	\$ 529,000	\$ 40,950	\$ 552,000	\$ 37,468

Certificates of Obligation Series 2018		Combination Tax and Revenue Certificates Series 2019		Water Tower Renovations	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 130,000	\$ 94,400	\$ 68,000	\$ 31,971	\$ 55,378	\$ 3,248
135,000	89,100	69,000	31,990	37,348	1,856
145,000	83,500	71,000	30,030	38,481	723
150,000	77,600	73,000	28,014	-	-
155,000	71,500	76,000	25,928	-	-
875,000	257,300	412,000	96,124	-	-
835,000	68,500	476,000	34,104	-	-
\$ 2,425,000	\$ 741,900	\$ 1,245,000	\$ 278,161	\$ 131,207	\$ 5,827

The City incurred interest expense of \$192,632 for debt serviced by Business-Type Activities during the year ended September 30, 2019.

NOTE 7 – WATER RIGHTS

The City has a long-term contract with the Mackenzie Municipal Water Authority (MMWA) for the purchase of treated water. The MMWA was created by an Act of the Texas Legislature in 1965 with the purpose to furnish water to the municipalities of Floydada, Lockney, Silverton, and Tulia. The MMWA is located in Briscoe County, Texas, and has a conservative storage capacity of 45,500 acre-feet. The dam site and transmission system are the property of the MMWA, however the water rights are owned by the aforementioned cities. The minimum requirements under the contract are approximately \$190,000 per year. For the year ended September 30, 2019, the City made payments to the MMWA in the amount of \$99,120.

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8 – LEASE OBLIGATIONS

Capital Leases

The City has leased certain equipment under non-cancellable capital leases for various pieces of equipment. The interest rates are 4.00% and maturity dates of May 2020. The following summarizes the City’s obligations under capital leases:

Year Ending September 30, 2019	Business-Type Activities
2020	\$ 89,303
2021	31,421
2022	31,421
2023	31,421
2024	31,421
Total	214,987
Less amounts representing interest	36,799
	\$ 178,188
The following summarizes the assets acquired under capital lease:	
Equipment	\$ 430,373
Accumulated Depreciation	142,983
Net Leased Equipment	\$ 287,390

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year ended 2019, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage described above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded in any of the past three fiscal years.

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT BENEFITS

Plan Description:

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

Benefits Provided:

The plan provisions are adopted by the governing body of the City (employer), within the options available in the Texas state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service (10 years in some cities) or with 20-25 years of service regardless of age (depending on the city's plan chosen). Members are vested after 5 years of service (10 years for some cities).

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the City within the actuarial constraints imposed by TMRS so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TMRS.

Employees Covered by Benefit Terms:

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	23
Active employees	39

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CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2018 valuation will determine the contribution rate beginning January 1, 2020).

The City contributed using the actuarially determined rate of 11.92% for the months of the accounting year in 2018 and 10.50% for the months of the accounting year in 2019. The contribution rate payable by the employee members is 5.0% for fiscal year 2019 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability:

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, except where required to be different by GASB 68.

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under TMRS.

1. TMRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TMRS, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT BENEFITS – Continuation

4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2017	\$ 9,173,634	\$ 9,154,197	\$ 19,437
Changes for the year:			
Service cost	215,227	-	215,227
Interest on total pension liability	609,709	-	609,709
Difference between expected and actual experience	(15,270)	-	(15,270)
Changes of assumptions	-	-	-
Benefit payments/refunds of employee contributions	(497,049)	(497,049)	-
Contributions - employer	-	178,284	(178,284)
Contributions - employee	-	89,740	(89,740)
Net investment income	-	(273,989)	273,989
Administrative expenses	-	(5,300)	5,300
Other	-	(275)	275
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2018	<u>\$ 9,486,251</u>	<u>\$ 8,645,608</u>	<u>\$ 840,643</u>
Plan fiduciary net position as a percentage of the total pension liability:			91.14%
Covered employee payroll:			\$ 1,495,672
Net pension liability as a percentage of covered employee payroll:			56.21%

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Sensitivity of the Net Pension Liability / (Asset) 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 / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Net pension liability / (asset)	\$ 2,146,348	\$ 840,643	\$ (228,218)

Pension plan fiduciary net position:

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TMRS financial report.

Pension Expense / (Income):

	January 1, 2018 to December 31, 2018
Total service cost	\$ 215,227
Interest on total pension liability	609,709
Employee contributions (reduction of expenses)	(89,740)
Projected earnings on plan investments (reduction of expenses)	(617,908)
Administrative expenses	5,300
Other changes in fiduciary net position	275
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(4,116)
Recognition of current year deferred (inflows)/outflows of resources - assets	178,379
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	(68,850)
Amortization of prior year deferred (inflows)/outflows of resources - assets	13,330
Total pension expense	\$ 241,606

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Deferred Inflows / Outflows of Resources:

As of September 30, 2019, the deferred inflows and outflows - current and future expenses are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 115,165	\$ 607
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	469,316
Contributions made subsequent to measurement date	N/A	117,104

Deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense as follows:

	Year ended December 31:
2019	\$ 100,480
2020	19,055
2021	56,844
2022	178,379
2023	-
Thereafter	-

NOTE 11 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Plan Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN – Continuation

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	4
Active employees	39

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2018 were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

Discount Rate

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to employer's yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated AA or higher. As of December 31, 2018, the discount rate used in development of the Total OPEB Liability was 3.31% compared to 3.78% as of December 31, 2017.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN –
Continuation

Changes in the Total OPEB Liability:

	Changes in Total OPEB Liability
Balances as of December 31, 2017	\$ 119,826
Changes for the year:	
Service cost	4,938
Interest on total OPEB liability	4,023
Changes of benefit terms	-
Effect of economic/demographic experience	(5,171)
Effect of assumptions changes or inputs	(7,818)
Benefit payments	(1,496)
Other	-
Balances as of December 31, 2018	\$ 114,302

Sensitivity of the net pension liability / (asset) to changes in the discount rate

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.31%, as well as the what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 2.71%	Current Discount Rate 3.71%	1% Increase 4.71%
Total OPEB liability	\$ 135,444	\$ 114,302	\$ 97,606

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN –
Continuation

OPEB Expense / (Income)

	January 1, 2018 to December 31, 2018
Service cost	\$ 4,938
Interest on total OPEB liability	4,023
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience	(933)
Changes in assumptions or other inputs (1)	298
Other	-
 Total OPEB expense	 \$ 8,326

(1) Generally, this will only be the annual change in the municipal bond index rate.

Deferred Inflows / Outflows of Resources:

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 4,237	\$ -
Changes of assumptions	6,407	6,051
Contributions made subsequent to measurement date	N/A	893

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ (635)
2020	(635)
2021	(635)
2022	(1,419)
2023	(1,269)
Thereafter	-

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – JOINT VENTURE

The City of Tulia/Swisher County Airport (Airport) is a joint venture between the City of Tulia, Texas and Swisher County, Texas. The City and the County equally share the ongoing financial responsibility to operate the Airport. The Airport is governed by the Airport Board, whose members are appointed by the City Council and the County Commissioners. The City does not have an equity interest in the airport. During the year ended September 30, 2019, the City contributed \$2,450 toward the Airport’s operating budget.

The Airport issues separate financial statements available at the Swisher County Courthouse. A copy of the annual financial report may be obtained by writing to Swisher County, 119 S. Maxwell, Tulia, TX 79088.

Summarized audited information of the Airport for the fiscal year ended September 30, 2019 is as follows:

Operating revenues	\$	13,640
Operating expenses		(11,941)
Non-operating revenues, net of expenses		160
Net income	\$	1,859
 Total assets	 \$	 149,094
 Total liabilities	 \$	 300
 Total net position	 \$	 148,794

NOTE 13 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require that most cities place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure as required under Subtitle D.

The City operates a landfill site permitted as follows: MSW 1009A. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on estimated future closure and post closure care costs that will be incurred near or after the date that the landfill no longer accepts solid waste. The estimated total current cost of the landfill closure and post closure care of \$622,150 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2019. The recognition of the estimate total current cost is based on the amount of the landfills used during the year. The estimated liability for closure and post closure cost accrued on the City’s books for the year ended September 30, 2019 was \$352,621, which is based on accumulated usage of landfill area. It is estimated that an additional \$269,529 will be recognized as closure and post closure expenses between the balance sheet date and the date that the landfills are filled to capacity. As of September 30, 2019, the City has used approximately 56.68% of the available landfill capacity for the permit MSW 1009A. The City expects to close MSW 1009A in the year 2064. However, the actual cost of closure and post closure care is subject to change due to inflation, changes in technology, or changes in landfill laws and regulations.

The City of Tulia has demonstrated financial assurance for closure post closure care cost associated with the landfill by satisfying the financial test specified in Sub-chapter K of 31 Texas Administrative Code 330,285(g).

REQUIRED SUPPLEMENTARY INFORMATION



TULIA
Texas

**CITY OF TULIA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 437,009	\$ 437,009	\$ 427,878	\$ (9,131)
Sales	237,500	237,500	245,970	8,470
Franchise	139,500	139,500	107,748	(31,752)
Mixed beverage	-	-	903	903
Licenses and fees	15,500	15,500	21,178	5,678
Fines and forfeitures	91,750	91,750	113,857	22,107
Intergovernmental	112,000	112,000	120,254	8,254
Interest earnings	750	750	3,261	2,511
Miscellaneous	15,300	15,300	52,643	37,343
	<u>1,050,809</u>	<u>1,050,809</u>	<u>1,093,692</u>	<u>42,883</u>
Total revenues				
EXPENDITURES				
Current:				
Administration	351,836	351,836	357,677	(5,841)
Municipal court	34,071	34,071	31,582	2,489
Building maintenance	32,781	32,781	25,492	7,289
Financial administration	146,155	146,155	151,960	(5,805)
Legislative	134,605	134,605	130,360	4,245
Fire	87,742	87,742	70,032	17,710
Police	1,118,082	1,118,082	1,113,540	4,542
Streets	287,596	287,596	260,201	27,395
Parks	155,189	155,189	151,186	4,003
Capital outlay	-	-	58,630	(58,630)
	<u>2,348,057</u>	<u>2,348,057</u>	<u>2,350,660</u>	<u>(2,603)</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,297,248)</u>	<u>(1,297,248)</u>	<u>(1,256,968)</u>	<u>40,280</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,000	6,000	2,897	(3,103)
Transfers in	811,058	811,058	1,296,408	485,350
Transfers out	(33,711)	(33,711)	(28,504)	5,207
	<u>783,347</u>	<u>783,347</u>	<u>1,270,801</u>	<u>487,454</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	(513,901)	(513,901)	13,833	527,734
FUND BALANCES - BEGINNING	<u>304,360</u>	<u>304,360</u>	<u>304,360</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (209,541)</u>	<u>\$ (209,541)</u>	<u>\$ 318,193</u>	<u>\$ 527,734</u>

CITY OF TULIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2018	2017	2016	2015
Total Pension Liability:				
Service cost	\$ 215,227	\$ 206,255	\$ 202,079	\$ 182,698
Interest on total pension liability	609,709	607,690	591,185	590,150
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(15,270)	(239,091)	5,294	(82,715)
Changes of assumptions	-	-	-	59,806
Benefit payments/refunds of contributions	(497,049)	(601,800)	(510,467)	(353,625)
Net change in total pension liability	312,617	(26,946)	288,091	396,314
Total pension liability, beginning	9,173,634	9,200,580	8,912,489	8,516,175
Total pension liability, ending (a)	<u>\$ 9,486,251</u>	<u>\$ 9,173,634</u>	<u>\$ 9,200,580</u>	<u>\$ 8,912,489</u>
Fiduciary Net Position:				
Employer contributions	\$ 178,284	\$ 172,265	\$ 164,899	\$ 174,056
Employee contributions	89,740	86,784	85,146	79,781
Net investment income	(273,989)	1,156,472	545,240	12,046
Benefit payments/refunds of contributions	(497,049)	(601,800)	(510,467)	(353,625)
Administrative expenses	(5,300)	(5,995)	(6,158)	(7,337)
Other	(275)	(304)	(332)	(363)
Net change in fiduciary net position	(508,589)	807,422	278,328	(95,442)
Fiduciary net position, beginning	9,154,197	8,346,775	8,068,447	8,163,889
Fiduciary net position, ending (b)	<u>\$ 8,645,608</u>	<u>\$ 9,154,197</u>	<u>\$ 8,346,775</u>	<u>\$ 8,068,447</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 840,643</u>	<u>\$ 19,437</u>	<u>\$ 853,805</u>	<u>\$ 844,042</u>
Fiduciary net position as a % of total pension liability	91.14%	99.79%	90.72%	90.53%
Pensionable covered payroll	\$ 1,495,672	\$ 1,446,392	\$ 1,419,094	\$ 1,329,683
Net pension liability as a % of covered payroll	56.21%	1.34%	60.17%	63.48%

Year Ended December 31,

2014	2013	2012	2011	2010	2009
\$ 179,065	\$ N/A				
576,521	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
(171,204)	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
(429,379)	N/A	N/A	N/A	N/A	N/A
155,003	N/A	N/A	N/A	N/A	N/A
8,361,172	N/A	N/A	N/A	N/A	N/A
<u>\$ 8,516,175</u>	<u>\$ N/A</u>				
\$ 180,149	\$ N/A				
79,595	N/A	N/A	N/A	N/A	N/A
451,201	N/A	N/A	N/A	N/A	N/A
(429,379)	N/A	N/A	N/A	N/A	N/A
(4,711)	N/A	N/A	N/A	N/A	N/A
(387)	N/A	N/A	N/A	N/A	N/A
276,468	N/A	N/A	N/A	N/A	N/A
7,887,421	N/A	N/A	N/A	N/A	N/A
<u>\$ 8,163,889</u>	<u>\$ N/A</u>				
<u>\$ 352,286</u>	<u>\$ N/A</u>				
95.86%	N/A	N/A	N/A	N/A	N/A
\$ 1,326,577	\$ N/A				
26.56%	N/A	N/A	N/A	N/A	N/A

CITY OF TULIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed as available)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 174,886	\$ 174,886	\$ -	\$ 1,323,642	13.2%
2016	169,568	169,568	-	1,413,211	12.0%
2017	171,571	171,571	-	1,449,572	11.8%
2018	174,190	174,190	-	1,461,635	11.9%
2019	164,888	164,888	-	1,516,151	10.9%

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 and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% - 10.50% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes: There were no benefit changes during the year.

CITY OF TULIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2018	2017	2016	2015
Total OPEB Liability:				
Service cost	\$ 4,938	\$ 4,050	\$ N/A	\$ N/A
Interest on total OPEB liability	4,023	3,966	N/A	N/A
Effect of plan changes	-	-	N/A	N/A
Effect of assumption changes or inputs	(7,818)	9,470	N/A	N/A
Effect of economic/demographic (gains) or losses	(5,171)	-	N/A	N/A
Benefit payments	(1,496)	(1,157)	N/A	N/A
Net change in total OPEB liability	(5,524)	16,329	N/A	N/A
Total OPEB liability, beginning	119,826	103,497	N/A	N/A
Total OPEB liability, ending	<u>\$ 114,302</u>	<u>\$ 119,826</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered employee payroll	\$ 1,495,672	\$ 1,446,392	\$ N/A	\$ N/A
Total OPEB liability as a % of covered employee payroll	7.64%	8.28%	N/A	N/A

Notes to Schedule:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary increases	Does not apply
Investment rate of return	3.71% (20 Year Municipal GO AA Index published by the Fidelity Index as of December 31, 2018)



TULIA
Texas

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

**CITY OF TULIA, TEXAS
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2019**

	Capital Replacement	Health Insurance	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 219,016	\$ 72,345	\$ 291,361
Receivables, net	-	23,033	23,033
Total current assets	219,016	95,378	314,394
Total assets	219,016	95,378	314,394
NET POSITION			
Unrestricted	219,016	95,378	314,394
Total net position	\$ 219,016	\$ 95,378	\$ 314,394

**CITY OF TULIA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Capital Replacement	Health Insurance	Total Internal Service Funds
OPERATING REVENUES:			
Fleet maintenance	\$ 387,190	\$ -	\$ 387,190
Charges for services	-	286,242	286,242
Total operating revenues	<u>387,190</u>	<u>286,242</u>	<u>673,432</u>
OPERATING EXPENSES:			
Maintenance and other supplies	57,611	-	57,611
Insurance premiums paid	-	287,320	287,320
Insurance claims paid	-	10,666	10,666
Total operating expenses	<u>57,611</u>	<u>297,986</u>	<u>355,597</u>
OPERATING INCOME (LOSS)	<u>329,579</u>	<u>(11,744)</u>	<u>317,835</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	10,525	1,968	12,493
Insurance recoveries	14,607	-	14,607
Total nonoperating revenues (expenses)	<u>25,132</u>	<u>1,968</u>	<u>27,100</u>
INCOME (LOSS) BEFORE TRANSFERS	354,711	(9,776)	344,935
TRANSFERS, net	<u>(332,918)</u>	<u>-</u>	<u>(332,918)</u>
CHANGE IN NET POSTION	21,793	(9,776)	12,017
NET POSITION - BEGINNING	<u>197,223</u>	<u>105,154</u>	<u>302,377</u>
NET POSITION - ENDING	<u>\$ 219,016</u>	<u>\$ 95,378</u>	<u>\$ 314,394</u>

**CITY OF TULIA, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Capital Replacement</u>	<u>Health Insurance</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for internal service charges	\$ 387,190	\$ 287,498	\$ 674,688
Payments to suppliers and service providers	(57,611)	-	(57,611)
Payments for health insurance claims	-	(10,666)	(10,666)
Payments for insurance premiums	-	(292,230)	(292,230)
Net cash provided (used) by operating activities	<u>329,579</u>	<u>(15,398)</u>	<u>314,181</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers between other funds	<u>(332,918)</u>	<u>-</u>	<u>(332,918)</u>
Net cash provided (used) used for non-capital and related financing activities	<u>(332,918)</u>	<u>-</u>	<u>(332,918)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Insurance recoveries	<u>14,607</u>	<u>-</u>	<u>14,607</u>
Net cash provided (used) used for capital and related financing activities	<u>14,607</u>	<u>-</u>	<u>14,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>10,525</u>	<u>1,968</u>	<u>12,493</u>
Net cash provided by investing activities	<u>10,525</u>	<u>1,968</u>	<u>12,493</u>
NET INCREASE / (DECREASE) IN CASH	21,793	(13,430)	8,363
CASH AND CASH EQUIVALENTS, BEGINNING	<u>197,223</u>	<u>85,775</u>	<u>282,998</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 219,016</u>	<u>\$ 72,345</u>	<u>\$ 291,361</u>

Continued

**CITY OF TULIA, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Capital Replacement</u>	<u>Health Insurance</u>	<u>Total Internal Service Funds</u>
Continuation			
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 329,579	\$ (11,744)	\$ 317,835
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	1,256	1,256
Increase (decrease) in accounts payable	-	(4,910)	(4,910)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 329,579</u>	<u>\$ (15,398)</u>	<u>\$ 314,181</u>



TULIA
Texas

COMPLIANCE AND INTERNAL CONTROL



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 City Council
City of Tulia, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tulia, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 4, 2020.

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.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

April 4, 2020