

**CITY OF TULIA, TEXAS**

**Annual Financial Report**

**For the Year Ended  
September 30, 2020**



TULIA  
*Texas*

**CITY OF TULIA, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED SEPTEMBER 30, 2020**

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TULIA  
*Texas*

## **INTRODUCTORY SECTION**

**CITY OF TULIA, TEXAS**

**PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2020**

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

James L. Davis

Interim City Manager / 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 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tulia, Texas as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in conformity 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 – 53), 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining internal service fund financial statements are 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 a report dated March 18, 2021 on our consideration of the City of Tulia, Texas's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tulia, Texas'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 of Tulia, Texas's internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC  
March 18, 2021



## 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, 2020. 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 and deferred outflows exceeded its liabilities and deferred inflows by \$4,966,664 (net position) for the fiscal year reported.

Total net position is comprised of the following:

1. Net investment in capital assets of \$2,334,363; 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 \$392,747.
3. Unrestricted net position of \$2,239,544 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 \$335,408 this year. \$335,408 is unassigned.

The City's net position increased by \$557,087 during the fiscal year. Governmental activities decreased by \$313,046, and business-type activities increased by \$870,133.

### 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 net 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		
	2020	2019	2020	2019	2020	2019	2019	2019	
<b>Assets</b>									
Current and other assets	\$ (52)	\$ 218	\$ 5,554	\$ 5,044	\$ 5,502	\$ 5,262	\$ 542	\$ 495	
Capital assets	709	709	5,690	6,045	6,399	6,754	67		
Total assets	657	927	11,244	11,089	11,901	12,016	609	495	
<b>Deferred outflows of resources</b>									
	93	386	100	268	193	654			
<b>Liabilities</b>									
Current liabilities	120	54	1,158	1,215	1,278	1,269			
Long-term liabilities	116	653	5,258	6,211	5,374	6,864			
Total liabilities	236	707	6,416	7,426	6,652	8,133			
<b>Deferred inflows of resources</b>									
	303	82	173	45	476	127			
<b>Net position</b>									
Net investment in capital assets	709	709	1,625	1,341	2,334	2,050			
Restricted			393	389	393	389			
Unrestricted (deficit)	(499)	(185)	2,738	2,156	2,239	1,971	495	495	
Total net position	\$ 210	\$ 524	\$ 4,756	\$ 3,886	\$ 4,966	\$ 4,410	\$ 495	\$ 495	

The largest portion of the City's net position (95.8%) reflects the net position of the business-type activities. In addition 47.0% 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 \$2,239,544 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 \$335,418, an increase of \$17,215 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 13.9% 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, 2020. Detail budget performance is examined through the Budgetary Comparison Schedule.

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

	<u>Final Amended Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance</u>
General Fund	\$ <u>2,381,894</u>	\$ <u>2,396,558</u>	\$ (14,664)

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets as of September 30, 2020, amounts to \$6,399,575 (net of accumulated depreciation of \$19,005,252). Capital additions totaling \$375,685 were made during the year, with \$100,819 in governmental activities and \$274,866 in business-type activities.

Long-term Debt: The City had five separate bond issuances outstanding as of September 30, 2020. 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. In addition, the City of Tulia 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.

For fiscal year 2021, the City has included budgeted funding for a rate study encompassing all city utility systems and the solid waste service. This study is beneficial in the comprehensive determination of future rates for planning utility 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.

In the fiscal year 2021 planning and construction related to the business park for development of commercial lots will continue. 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, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 596,741	\$ 1,783,903	\$ 2,380,644	\$ 210,097
Restricted cash for customer deposits	-	226,783	226,783	-
Restricted cash for construction	-	1,429,070	1,429,070	-
Restricted cash for debt service	-	392,747	392,747	-
Receivables, net	122,704	667,477	790,181	433
Internal balances	(837,903)	837,903	-	-
Due from other governments	46,485	-	46,485	23,243
Loans receivable - current portion	-	24,906	24,906	40,435
Loans receivable	-	179,740	179,740	267,616
Net pension asset	19,718	11,210	30,928	-
Capital assets not being depreciated:				
Land	189,298	234,118	423,416	67,025
Construction in progress	-	491,359	491,359	-
Capital assets				
Buildings	138,164	328,672	466,836	-
Improvements other than buildings	842,720	1,771,592	2,614,312	-
Furniture and equipment	2,484,003	3,237,689	5,721,692	-
Infrastructure	899,332	11,477,880	12,377,212	-
Water rights	-	3,310,000	3,310,000	-
Less: Accumulated depreciation	(3,843,831)	(15,161,421)	(19,005,252)	-
Total assets	657,431	11,243,628	11,901,059	608,849
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding bonds	-	47,277	47,277	-
Pension contributions	77,848	44,257	122,105	-
Pension assumption changes	1,435	815	2,250	-
OPEB contributions	583	331	914	-
OPEB assumption changes	13,256	7,536	20,792	-
Total deferred outflows of resources	93,122	100,216	193,338	-

Continued

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



**CITY OF TULIA, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

Continuation		Primary Government			Component Unit
		Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
	<b>LIABILITIES</b>				
	Accounts payable	\$ 116,627	\$ 228,463	\$ 345,090	\$ -
	Accrued interest	-	31,891	31,891	-
	Customer deposits	-	226,783	226,783	-
	Noncurrent liabilities:				
	Due within one year	4,000	670,574	674,574	-
	Due in more than one year	33,034	4,847,643	4,880,677	-
	Landfill closure and post-closure costs	-	362,957	362,957	-
	Other postemployment benefit liability	82,707	47,019	129,726	-
	Total liabilities	236,368	6,415,330	6,651,698	-
	<b>DEFERRED INFLOWS OF RESOURCES</b>				
	Pension economic/demographic gains	98,646	56,081	154,727	-
	Pension excess earnings	193,368	109,931	303,299	-
	OPEB economic/demographic gains	8,297	4,716	13,013	-
	OPEB assumption changes	3,185	1,811	4,996	-
	Total deferred inflows of resources	303,496	172,539	476,035	-
	<b>NET POSITION</b>				
	Net investment in capital assets	709,686	1,624,677	2,334,363	67,025
	Restricted:				
	By enabling legislation for special projects	10	-	10	-
	Debt service	-	392,747	392,747	-
	Unrestricted (deficit)	(499,007)	2,738,551	2,239,544	541,824
	Total net position	\$ 210,689	\$ 4,755,975	\$ 4,966,664	\$ 608,849

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, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
Administration	\$ 374,679	\$ 15,985	\$ 9,500	\$ -
Municipal court	29,500	14,273	-	-
Building maintenance	39,691	-	-	-
Financial administration	166,508	-	-	-
Legislative	116,131	-	-	-
Fire	81,474	-	30,000	-
Police	1,068,090	66,517	91,017	-
Streets	255,317	-	-	-
Parks	144,293	-	-	-
Total governmental activities	<u>2,275,683</u>	<u>96,775</u>	<u>130,517</u>	<u>-</u>
Business-Type Activities:				
Water and sewer utility	1,314,286	1,874,718	40,000	-
Electric utility	2,911,385	3,560,735	-	28,380
Sanitation utility	414,013	676,229	-	-
Total business-type activities	<u>4,639,684</u>	<u>6,111,682</u>	<u>40,000</u>	<u>28,380</u>
Total primary government	<u>\$ 6,915,367</u>	<u>\$ 6,208,457</u>	<u>\$ 170,517</u>	<u>\$ 28,380</u>
<b>Component Unit:</b>				
Economic Development Corporation	<u>\$ 76,631</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  
Miscellaneous  
Transfers

Total general revenues

Change in net position

Net position - beginning

Prior period adjustment

Net position - beginning as restated

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ (349,194)	\$ -	\$ (349,194)	\$ -
(15,227)	-	(15,227)	-
(39,691)	-	(39,691)	-
(166,508)	-	(166,508)	-
(116,131)	-	(116,131)	-
(51,474)	-	(51,474)	-
(910,556)	-	(910,556)	-
(255,317)	-	(255,317)	-
(144,293)	-	(144,293)	-
<u>(2,048,391)</u>	<u>-</u>	<u>(2,048,391)</u>	<u>-</u>
-	600,432	600,432	-
-	677,730	677,730	-
-	262,216	262,216	-
<u>-</u>	<u>1,540,378</u>	<u>1,540,378</u>	<u>-</u>
<u>(2,048,391)</u>	<u>1,540,378</u>	<u>(508,013)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,631)</u>
439,760	-	439,760	-
277,477	-	277,477	138,738
148,527	-	148,527	-
8,780	-	8,780	-
521	-	521	-
5,673	46,364	52,037	5,775
44,885	93,113	137,998	-
809,722	(809,722)	-	-
<u>1,735,345</u>	<u>(670,245)</u>	<u>1,065,100</u>	<u>144,513</u>
<u>(313,046)</u>	<u>870,133</u>	<u>557,087</u>	<u>67,882</u>
523,735	3,885,842	4,409,577	495,087
-	-	-	45,880
<u>523,735</u>	<u>3,885,842</u>	<u>4,409,577</u>	<u>540,967</u>
<u>\$ 210,689</u>	<u>\$ 4,755,975</u>	<u>\$ 4,966,664</u>	<u>\$ 608,849</u>

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

**CITY OF TULIA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	<b>General</b>	<b>Hotel Tax</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 282,698	\$ 2,088	\$ 284,786
Accounts receivables, net	73,809	621	74,430
Taxes receivable, net	22,900	-	22,900
Due from other governments	46,485	-	46,485
	<b>\$ 425,892</b>	<b>\$ 2,709</b>	<b>\$ 428,601</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 40,085	\$ 2,699	\$ 42,784
	<b>40,085</b>	<b>2,699</b>	<b>42,784</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	15,997	-	15,997
Unavailable revenue - other receivables	34,402	-	34,402
	<b>50,399</b>	<b>-</b>	<b>50,399</b>
<b>FUND BALANCES</b>			
Restricted:			
Tourism	-	10	10
Unassigned	335,408	-	335,408
	<b>335,408</b>	<b>10</b>	<b>335,418</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 425,892</b>	<b>\$ 2,709</b>	<b>\$ 428,601</b>

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, 2020**

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

Total fund balance - governmental funds	\$	335,418
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.		709,686
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		50,399
The net pension asset is not a current financial resource and therefore, is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		19,718
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 assumption changes		1,435
Other postemployment benefit assumption changes		13,256
Pension and Other postemployment benefit contributions paid after the measurement date, December 31, 2019, and before September 30, 2020 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		77,848
Other postemployment benefit contributions		583
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		(98,646)
Pension excess earnings		(193,368)
Other postemployment benefit economic/demographic gains		(8,296)
Other postemployment benefit assumption changes		(3,185)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Compensated absences		(37,034)
Other postemployment benefit liability		(82,707)
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)		(574,418)
Net position - governmental activities	\$	<u>210,689</u>

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, 2020**

	<u>General</u>	<u>Hotel Tax</u>	<u>Total Governmental</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 443,351	\$ -	\$ 443,351
Sales	277,477	-	277,477
Franchise	148,527	-	148,527
Hotel/Motel	-	8,780	8,780
Mixed beverage	521	-	521
Licenses and fees	18,565	-	18,565
Fines and forfeitures	77,721	-	77,721
Intergovernmental	130,517	-	130,517
Investment earnings	1,260	13	1,273
Miscellaneous	34,909	-	34,909
	<u>1,132,848</u>	<u>8,793</u>	<u>1,141,641</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Administration	379,062	-	379,062
Municipal court	29,615	-	29,615
Building maintenance	39,846	-	39,846
Financial administration	169,073	-	169,073
Legislative	116,131	-	116,131
Fire	88,021	-	88,021
Police	1,083,920	-	1,083,920
Streets	260,100	-	260,100
Recreation and culture	-	8,793	8,793
Parks	129,971	-	129,971
Capital Outlay	100,819	-	100,819
	<u>2,396,558</u>	<u>8,793</u>	<u>2,405,351</u>
Total expenditures			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,263,710)</u>	<u>-</u>	<u>(1,263,710)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,316,298	-	1,316,298
Transfers out	(35,373)	-	(35,373)
	<u>1,280,925</u>	<u>-</u>	<u>1,280,925</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>	17,215	-	17,215
<b>FUND BALANCES - BEGINNING</b>	<u>318,193</u>	<u>10</u>	<u>318,203</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 335,408</u>	<u>\$ 10</u>	<u>\$ 335,418</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, 2020**

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

Net change in fund balances - total governmental funds:	\$	17,215
<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, \$100,819, exceeded depreciation, \$100,187, in the current period for the governmental activities before the internal service fund allocation.</p>		
		632
<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>		
		(3,101)
<p>Changes in pension and other postemployment benefits related assets, liabilities, outflows, and inflows reported in the government-wide Statement of Activities are not reported in the governmental funds as revenues or expenditures.</p>		
		42,421
<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>		
		(6)
<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 (\$50,908) less the amount charged to business-type activities (\$319,299) is the amount of the internal service fund charged to governmental activities.</p>		
		<u>(370,207)</u>
Change in net position - governmental activities	\$	<u><u>(313,046)</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, 2020**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan	Total Enterprise Funds	Internal Service
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 106,758	\$ 1,253,726	\$ 380,676	\$ 42,743	\$ 1,783,903	\$ 311,955
Restricted cash - customer deposits	69,278	157,505	-	-	226,783	-
Restricted cash - construction	1,160,417	268,653	-	-	1,429,070	-
Restricted cash - debt service	174,990	217,757	-	-	392,747	-
Receivables, net	245,656	346,075	75,746	-	667,477	25,374
Notes receivable - current portion	-	-	-	24,906	24,906	-
Total current assets	<u>1,757,099</u>	<u>2,243,716</u>	<u>456,422</u>	<u>67,649</u>	<u>4,524,886</u>	<u>337,329</u>
Noncurrent assets:						
Notes receivable	-	-	-	179,740	179,740	-
Net pension asset	3,701	4,951	2,558	-	11,210	-
Capital assets:						
Land	152,354	67,616	14,148	-	234,118	-
Construction in progress	109,463	381,896	-	-	491,359	-
Buildings	321,205	4,251	3,216	-	328,672	-
Improvements other than buildings	1,323,672	447,920	-	-	1,771,592	-
Furniture and equipment	1,013,059	1,122,032	1,102,598	-	3,237,689	-
Infrastructure	6,358,873	5,119,007	-	-	11,477,880	-
Water rights	3,310,000	-	-	-	3,310,000	-
Less accumulated depreciation	<u>(9,865,569)</u>	<u>(4,437,882)</u>	<u>(857,970)</u>	<u>-</u>	<u>(15,161,421)</u>	<u>-</u>
Total noncurrent assets	<u>2,726,758</u>	<u>2,709,791</u>	<u>264,550</u>	<u>179,740</u>	<u>5,880,839</u>	<u>-</u>
Total assets	<u>4,483,857</u>	<u>4,953,507</u>	<u>720,972</u>	<u>247,389</u>	<u>10,405,725</u>	<u>337,329</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding bonds	-	47,277	-	-	47,277	-
Pension contributions	14,612	19,546	10,099	-	44,257	-
Pension assumption changes	269	360	186	-	815	-
Other postemployment benefit contributions	109	146	76	-	331	-
Other postemployment benefit assumption changes	<u>2,488</u>	<u>3,328</u>	<u>1,720</u>	<u>-</u>	<u>7,536</u>	<u>-</u>
Total deferred outflows of resources	<u>17,478</u>	<u>70,657</u>	<u>12,081</u>	<u>-</u>	<u>100,216</u>	<u>-</u>

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, 2020**

Continuation	LIABILITIES	Business-Type Activities - Enterprise Funds					Governmental
		Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan	Total Enterprise Funds	Internal Service
Current liabilities:							
Accounts payable		\$ 24,505	\$ 189,472	\$ 14,486	\$ -	\$ 228,463	\$ 73,843
Accrued interest		19,666	2,870	9,355	-	31,891	-
Customer deposits		69,278	157,505	-	-	226,783	-
Compensated absences - current		1,000	1,000	1,000	-	3,000	-
Capital leases payable - current		-	-	21,659	-	21,659	-
Long-term debt obligations - current		450,915	195,000	-	-	645,915	-
Total current liabilities		<u>565,364</u>	<u>545,847</u>	<u>46,500</u>	<u>-</u>	<u>1,157,711</u>	<u>73,843</u>
Noncurrent liabilities:							
Accrued compensated absences		5,871	9,046	6,019	-	20,936	-
Capital leases payable		-	-	78,487	-	78,487	-
Long-term debt obligations		4,106,957	641,263	-	-	4,748,220	-
Landfill closure and post-closure costs		-	-	362,957	-	362,957	-
Other postemployment benefit liability		15,524	20,766	10,729	-	47,019	-
Total noncurrent liabilities		<u>4,128,352</u>	<u>671,075</u>	<u>458,192</u>	<u>-</u>	<u>5,257,619</u>	<u>-</u>
Total liabilities		<u>4,693,716</u>	<u>1,216,922</u>	<u>504,692</u>	<u>-</u>	<u>6,415,330</u>	<u>73,843</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension economic/demographic gains		18,516	24,768	12,797	-	56,081	-
Pension excess earnings		36,295	48,552	25,084	-	109,931	-
Other postemployment benefit economic/demographic gains		1,557	2,083	1,076	-	4,716	-
Other postemployment benefit assumption changes		598	800	413	-	1,811	-
Total deferred outflows of resources		<u>56,966</u>	<u>76,203</u>	<u>39,370</u>	<u>-</u>	<u>172,539</u>	<u>-</u>
	<b>NET POSITION</b>						
Net investment in capital assets		541,951	920,880	161,846	-	1,624,677	-
Restricted for debt services		174,990	217,757	-	-	392,747	-
Unrestricted (deficit)		(966,288)	2,592,402	27,145	247,389	1,900,648	263,486
Total net position		<u>\$ (249,347)</u>	<u>\$ 3,731,039</u>	<u>\$ 188,991</u>	<u>\$ 247,389</u>	<u>3,918,072</u>	<u>\$ 263,486</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>837,903</u>	
Net Position of business-type activities						<u>\$ 4,755,975</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, 2020**

	Business-Type Activities			
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan
<b>OPERATING REVENUES:</b>				
Charges for Services:				
Charges for services	\$ 1,874,718	\$ 3,560,735	\$ 676,229	\$ -
Miscellaneous	-	15,500	77,613	-
Internal service charges	-	-	-	-
Total operating revenues	<u>1,874,718</u>	<u>3,576,235</u>	<u>753,842</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Personnel costs	258,157	327,626	187,454	-
Supplies and materials	52,628	11,943	42,794	-
Maintenance	195,974	41,368	47,670	-
Contractual services	326,665	35,355	29,158	-
Other expenses	19,092	31,591	7,052	-
Electric purchases	-	2,159,557	-	-
Depreciation	295,848	269,218	64,411	-
Intercity charges	193,966	20,000	140,112	-
Landfill closure costs	-	-	10,336	-
Insurance claims and premiums	-	-	-	-
Total operating expenses	<u>1,342,330</u>	<u>2,896,658</u>	<u>528,987</u>	<u>-</u>
<b>OPERATING INCOME (LOSS)</b>	<u>532,388</u>	<u>679,577</u>	<u>224,855</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Intergovernmental	40,000	28,380	-	-
Investment earnings	16,548	21,837	2,462	5,517
Interest and fiscal charges	(145,814)	(34,481)	(10,713)	-
Insurance recoveries	-	-	-	-
Total nonoperating revenues (expenses)	<u>(89,266)</u>	<u>15,736</u>	<u>(8,251)</u>	<u>5,517</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	443,122	695,313	216,604	5,517
<b>TRANSFERS, net</b>	<u>(109,603)</u>	<u>(644,304)</u>	<u>(55,815)</u>	<u>-</u>
<b>CHANGE IN NET POSTION</b>	<u>333,519</u>	<u>51,009</u>	<u>160,789</u>	<u>5,517</u>
<b>NET POSITION - BEGINNING</b>	<u>(582,866)</u>	<u>3,680,030</u>	<u>28,202</u>	<u>241,872</u>
<b>NET POSITION - ENDING (deficit)</b>	<u>\$ (249,347)</u>	<u>\$ 3,731,039</u>	<u>\$ 188,991</u>	<u>\$ 247,389</u>
Change in Net Position	<u>\$ 333,519</u>	<u>\$ 51,009</u>	<u>\$ 160,789</u>	<u>\$ 5,517</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 Enterprise Funds</u>	<u>Governmental Activities Internal Service</u>
\$ 6,111,682	\$ -
93,113	-
-	725,201
6,204,795	725,201
773,237	-
107,365	-
285,012	49,195
391,178	-
57,735	-
2,159,557	-
629,477	-
354,078	-
10,336	-
-	270,086
4,767,975	319,281
1,436,820	405,920
68,380	-
46,364	4,400
(191,008)	-
-	9,975
(76,264)	14,375
1,360,556	420,295
(809,722)	(471,203)
550,834	(50,908)
3,367,238	314,394
\$ 3,918,072	\$ 263,486
\$ 550,834	
319,299	
\$ 870,133	

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, 2020**

	Business-Type Activities	
	Water/Sewer Utility	Electric Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,805,751	\$ 3,646,843
Receipts for internal service charges	-	-
Payments to employees for salaries and benefits	(250,062)	(336,278)
Payments to suppliers and service providers	(599,839)	(2,293,335)
Payments for health insurance claims	-	-
Payments for insurance premiums	-	-
Payments for interfund services used	(193,966)	(20,000)
Net cash provided (used) by operating activities	<u>761,884</u>	<u>997,230</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers between other funds	(109,603)	(644,304)
Operating grants	40,000	28,380
Net cash provided (used) by non-capital financing activities	<u>(69,603)</u>	<u>(615,924)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on capital debt	(476,880)	(185,000)
Interest paid on capital debt	(158,129)	(27,375)
Acquisition or construction of capital assets	(91,081)	(169,571)
Insurance recoveries	-	-
Net cash provided (used) used for capital and related financing activities	<u>(726,090)</u>	<u>(381,946)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	16,548	21,837
Net cash provided by investing activities	<u>16,548</u>	<u>21,837</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>	(17,261)	21,197
<b>CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)</b>	<u>1,528,704</u>	<u>1,876,444</u>
<b>CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)</b>	<u>\$ 1,511,443</u>	<u>\$ 1,897,641</u>

Business-Type Activities			Governmental
Sanitation	Revolving	Total	Activities
Utility	Loan	Enterprise Funds	Internal
			Service
\$ 753,638	\$ 20,454	\$ 6,226,686	\$ -
-	-	-	796,668
(194,965)	-	(781,305)	-
(123,223)	-	(3,016,397)	(49,195)
-	-	-	(1,083)
-	-	-	(268,968)
(140,112)	-	(354,078)	-
<u>295,338</u>	<u>20,454</u>	<u>2,074,906</u>	<u>477,422</u>
(55,815)	-	(809,722)	(471,203)
-	-	68,380	-
<u>(55,815)</u>	<u>-</u>	<u>(741,342)</u>	<u>(471,203)</u>
(59,539)	-	(721,419)	-
(10,670)	-	(196,174)	-
(14,214)	-	(274,866)	-
-	-	-	9,975
<u>(84,423)</u>	<u>-</u>	<u>(1,192,459)</u>	<u>9,975</u>
2,462	5,517	46,364	4,400
<u>2,462</u>	<u>5,517</u>	<u>46,364</u>	<u>4,400</u>
157,562	25,971	187,469	20,594
<u>223,114</u>	<u>16,772</u>	<u>3,645,034</u>	<u>291,361</u>
<u>\$ 380,676</u>	<u>\$ 42,743</u>	<u>\$ 3,832,503</u>	<u>\$ 311,955</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, 2020**

	Business-Type Activities	
	Water/Sewer Utility	Electric Utility
Continuation		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 532,388	\$ 679,577
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	295,848	269,218
Change in landfill closure cost liability	-	-
Change in allowance for doubtful accounts	11,413	24,543
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(85,215)	37,097
(Increase) decrease in notes receivable	-	-
(Increase) decrease in net pension asset	(3,701)	(4,951)
(Increase) decrease in deferred outflows of pension	42,394	77,380
(Increase) decrease in deferred outflows of OPEB	(1,920)	(2,323)
Increase (decrease) in accounts payable	(5,480)	(13,521)
Increase (decrease) in accrued expenses	4,278	3,383
Increase (decrease) in pension liability	(82,020)	(139,317)
Increase (decrease) in OPEB liability	4,372	1,823
Increase (decrease) in customer deposits	4,835	8,968
Increase (decrease) in deferred inflows of pension	43,575	54,234
Increase (decrease) in deferred inflows of OPEB	1,117	1,119
	<u>\$ 761,884</u>	<u>\$ 997,230</u>
<b>SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:</b>		
Amortization of deferred bond premiums	\$ 10,311	\$ 4,066
Amortization of deferred charge on refunding	-	(11,820)
	<u>\$ 10,311</u>	<u>\$ (7,754)</u>

Business-Type Activities			Governmental
Sanitation Utility	Revolving Loan	Total Enterprise Funds	Activities Internal Service
\$ 224,855	\$ -	\$ 1,436,820	\$ 405,920
64,411	-	629,477	-
10,336	-	10,336	-
7,052	-	43,008	-
(7,256)	-	(55,374)	(2,341)
-	20,454	20,454	-
(2,558)	-	(11,210)	-
41,363	-	161,137	-
(1,185)	-	(5,428)	-
3,451	-	(15,550)	73,843
(141)	-	7,520	-
(73,962)	-	(295,299)	-
672	-	6,867	-
-	-	13,803	-
27,748	-	125,557	-
552	-	2,788	-
<u>\$ 295,338</u>	<u>\$ 20,454</u>	<u>\$ 2,074,906</u>	<u>\$ 477,422</u>
\$ -	\$ -	\$ 14,377	\$ -
-	-	(11,820)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,557</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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, building maintenance, 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, 2020**

**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, 2020, the allowance for estimated uncollectible delinquent taxes was \$32,679 and the allowance for estimated uncollectible municipal court fees and fines was \$65,275

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, 2020**

**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 post-employment 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 post-employment benefit plan reported in the government-wide statement of net position.

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2020:

Cash and deposit balances consist of:

Petty cash funds	\$	300
Bank deposits		4,638,741
		4,638,741
Total	\$	4,639,041
		4,639,041

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

Government-wide Statement of Net Position:

Unrestricted	\$	2,380,344
Restricted for customer deposits		226,783
Restricted for construction		1,429,070
Restricted for debt service		392,747
Component unit - unrestricted		210,097
		2,138,931
Total	\$	4,639,041
		4,639,041

**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, 2020 the City’s deposits with financial institutions was \$4,826,170. \$250,000 of that amount was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$4,576,170 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, 2020, 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, 2020**

**NOTE 3 – CAPITAL ASSETS**

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

Primary Government:

<u>Governmental activities:</u>	Beginning Balances	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	12,700	-	-	842,720
Furniture and equipment	2,395,884	88,119	-	-	2,484,003
Infrastructure	899,332	-	-	-	899,332
Total capital assets being depreciated	<u>4,263,400</u>	<u>100,819</u>	<u>-</u>	<u>-</u>	<u>4,364,219</u>
Less accumulated depreciating for:					
Buildings	(138,164)	-	-	-	(138,164)
Improvements other than buildings	(582,791)	(18,650)	-	-	(601,441)
Furniture and equipment	(2,124,346)	(80,548)	-	-	(2,204,894)
Infrastructure	(898,343)	(989)	-	-	(899,332)
Total accumulated depreciation	<u>(3,743,644)</u>	<u>(100,187)</u>	<u>-</u>	<u>-</u>	<u>(3,843,831)</u>
Total capital assets being depreciated, net	<u>519,756</u>	<u>632</u>	<u>-</u>	<u>-</u>	<u>520,388</u>
Governmental activities capital assets, net	<u>\$ 709,054</u>	<u>\$ 632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,686</u>

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

Governmental activities:	
Administration	\$ 3,805
Public safety	16,647
Streets	77,017
Parks	<u>2,718</u>
Total depreciation expense-governmental activities	<u>\$ 100,187</u>

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3 – CAPITAL ASSETS – Continuation**

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 219,970	\$ -	\$ -	\$ 14,148	\$ 234,118
Construction in progress	445,252	50,178	-	(4,071)	491,359
Total capital assets not being depreciated	<u>665,222</u>	<u>50,178</u>	<u>-</u>	<u>10,077</u>	<u>725,477</u>
Capital assets being depreciated:					
Buildings	328,672	-	-	-	328,672
Improvements other than buildings	1,785,740	-	-	(14,148)	1,771,592
Furniture and equipment	3,046,101	191,588	-	-	3,237,689
Infrastructure	11,440,709	33,100	-	4,071	11,477,880
Water rights	3,310,000	-	-	-	3,310,000
Total capital assets being depreciated	<u>19,911,222</u>	<u>224,688</u>	<u>-</u>	<u>(10,077)</u>	<u>20,125,833</u>
Less accumulated depreciation for:					
Buildings	(328,672)	-	-	-	(328,672)
Improvements other than buildings	(1,502,394)	(62,760)	-	-	(1,565,154)
Furniture and equipment	(2,500,942)	(139,578)	-	-	(2,640,520)
Infrastructure	(7,743,363)	(344,389)	-	-	(8,087,752)
Water rights	(2,456,573)	(82,750)	-	-	(2,539,323)
Total accumulated depreciation	<u>(14,531,944)</u>	<u>(629,477)</u>	<u>-</u>	<u>-</u>	<u>(15,161,421)</u>
Total capital assets being depreciated, net	<u>5,379,278</u>	<u>(404,789)</u>	<u>-</u>	<u>(10,077)</u>	<u>4,964,412</u>
Business-type activities capital assets, net	<u>\$ 6,044,500</u>	<u>\$ (354,611)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,689,889</u>

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

<u>Business-type activities:</u>	
Water/Sewer department	\$ 295,848
Electric department	269,218
Sanitation department	<u>64,411</u>
Total depreciation expense-business-type activities	<u>\$ 629,477</u>

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 4 – INTER-FUND TRANSFERS**

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 1,316,298	\$ 35,373
Proprietary Funds:		
Water/Sewer Fund	661,399	771,002
Electric Fund	218,710	863,014
Sanitation Fund	84,421	140,236
Internal Service Funds:		
Capital Replacement Fund	-	471,203
	<u>\$ 2,280,828</u>	<u>\$ 2,280,828</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
<b>Business-Type Activities:</b>					
Loans receivable	\$ 256,500	\$ -	\$ (20,454)	\$ 236,046	\$ 24,906
Less: Allowance for uncollectible accounts	<u>(31,400)</u>	<u>-</u>	<u>-</u>	<u>(31,400)</u>	<u>-</u>
Total Business-Type Activities Loans Receivables	<u>\$ 225,100</u>	<u>\$ -</u>	<u>\$ (20,454)</u>	<u>\$ 204,646</u>	<u>\$ 24,906</u>
<b>Component Unit:</b>					
Loans receivable	\$ 141,635	\$ 188,900	\$ (22,454)	\$ 308,081	\$ 40,435
Less: Allowance for uncollectible accounts	<u>(30)</u>	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>-</u>
Total Component Unit Loans Receivables	<u>\$ 141,605</u>	<u>\$ 188,900</u>	<u>\$ (22,454)</u>	<u>\$ 308,051</u>	<u>\$ 40,435</u>

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5 – LOANS RECEIVABLE** – Continuation

The annual receivable on long-term receivables outstanding as September 30, 2020, is as follows:

Years Ending September 30	Total	Business-Type Activities		Component Unit	
		Principal	Interest	Principal	Interest
2021	\$ 77,045	\$ 24,906	\$ 6,464	\$ 40,435	\$ 5,240
2022	74,482	25,669	5,700	38,529	4,584
2023	64,971	23,691	4,919	32,355	4,006
2024	57,585	18,859	4,230	31,039	3,457
2025	57,584	19,529	3,559	31,599	2,897
2026-2030	235,493	91,992	7,070	129,946	6,485
2031-2035	4,161	-	-	4,148	13
Total	<u>\$ 571,321</u>	<u>\$ 204,646</u>	<u>\$ 31,942</u>	<u>\$ 308,051</u>	<u>\$ 26,682</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, 2020**

**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.

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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, 2020, are as follows:

Primary Government:

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 37,028	\$ 25,166	\$ (25,160)	\$ 37,034	\$ 4,000
Total Governmental Activities Long-Term Liabilities	<u>\$ 37,028</u>	<u>\$ 25,166</u>	<u>\$ (25,160)</u>	<u>\$ 37,034</u>	<u>\$ 4,000</u>

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 6 – LONG-TERM DEBT – Continuation**

<b>Business-Type Activities:</b>	<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	\$ 1,005,000	\$ -	\$ (185,000)	\$ 820,000	\$ 195,000
2013 Combination Tax and Revenue Certificates	529,000	-	(92,000)	437,000	89,000
2013A General Obligation Refunding Bonds	552,000	-	(113,000)	439,000	120,000
2018 Certificates of Obligation	2,425,000	-	(130,000)	2,295,000	135,000
2019 Combination Tax and Revenue Certificates	1,245,000	-	(68,000)	1,177,000	69,000
Deferred issuance premiums	<u>164,682</u>	<u>-</u>	<u>(14,377)</u>	<u>150,305</u>	<u>-</u>
Total bonds payable	5,920,682	-	(602,377)	5,318,305	608,000
Water Tower Renovations	131,207	-	(55,377)	75,830	37,915
Capital Leases	178,188	-	(78,042)	100,146	21,659
Compensated Absences	<u>16,416</u>	<u>18,650</u>	<u>(11,130)</u>	<u>23,936</u>	<u>3,000</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 6,246,493</u>	<u>\$ 18,650</u>	<u>\$ (746,926)</u>	<u>\$ 5,518,217</u>	<u>\$ 670,574</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.

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**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 6 – LONG-TERM DEBT – Continuation**

2. Debt Service Requirements

Debt service requirements at September 30, 2020, 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
2021	\$ 812,441	\$ 195,000	\$ 21,675	\$ 89,000	\$ 10,990	\$ 120,000	\$ 10,915
2022	815,775	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	326,972	-	-	-	-	-	-
2026-2030	1,640,020	-	-	-	-	-	-
2031-2035	1,087,036	-	-	-	-	-	-
<b>Total</b>	<b>\$ 6,240,972</b>	<b>\$ 820,000</b>	<b>\$ 50,250</b>	<b>\$ 437,000</b>	<b>\$ 27,426</b>	<b>\$ 439,000</b>	<b>\$ 23,198</b>

  

Certificates of Obligation Series 2018		Combination Tax and Revenue Certificates Series 2019		Water Tower Renovations	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 135,000	\$ 89,100	\$ 69,000	\$ 31,990	\$ 37,915	\$ 1,856
145,000	83,500	71,000	30,030	37,915	722
150,000	77,600	73,000	28,014	-	-
155,000	71,500	76,000	25,928	-	-
160,000	65,200	78,000	23,772	-	-
910,000	221,600	424,000	84,420	-	-
640,000	39,000	386,000	22,036	-	-
<b>\$ 2,295,000</b>	<b>\$ 647,500</b>	<b>\$ 1,177,000</b>	<b>\$ 246,190</b>	<b>\$ 75,830</b>	<b>\$ 2,578</b>

The City incurred interest expense of \$196,174 for debt serviced by Business-Type Activities during the year ended September 30, 2020.

**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, 2020, the City made payments to the MMWA in the amount of \$108,588.

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8 – LEASE OBLIGATIONS**

**Capital Leases**

The City has leased certain equipment under a non-cancellable capital lease. The interest rate is 9.75% and maturity date of October 2023. The following summarizes the City’s obligations under capital leases:

Year Ending September 30, 2020	Business-Type Activities
2021	\$ 31,421
2022	31,421
2023	31,421
2024	31,421
Total	125,684
Less amounts representing interest	25,538
	\$ 100,146
The following summarizes the assets acquired under capital lease:	
Equipment	\$ 162,383
Accumulated Depreciation	(28,417)
Net Leased Equipment	\$ 133,966

**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 2020, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its 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, 2020**

**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](http://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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	27
Active employees	36

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**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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 10.50% for the months of the accounting year in 2019 and 10.69% for the months of the accounting year in 2020. The contribution rate payable by the employee members is 6.0% for fiscal year 2020 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, 2019, 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, 2019 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 11.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

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, 2020**

**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, 2019 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, 2020**

**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, 2018	\$ 9,486,251	\$ 8,645,608	\$ 840,643
Changes for the year:			
Service cost	217,646	-	217,646
Interest on total pension liability	631,514	-	631,514
Difference between expected and actual experience	(148,044)	-	(148,044)
Changes of assumptions	2,997	-	2,997
Benefit payments/refunds of employee contributions	(478,611)	(478,611)	-
Contributions - employer	-	158,152	(158,152)
Contributions - employee	-	90,372	(90,372)
Net investment income	-	1,334,939	(1,334,939)
Administrative expenses	-	(7,552)	7,552
Other	-	(227)	227
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances as of December 31, 2019	<u>\$ 9,711,753</u>	<u>\$ 9,742,681</u>	<u>\$ (30,928)</u>
Plan fiduciary net position as a percentage of the total pension liability:			100.32%
Covered employee payroll:			\$ 1,506,204
Net pension liability as a percentage of covered employee payroll:			-2.05%

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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)	\$ 1,272,681	\$ (30,928)	\$ (1,104,881)

*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, 2019 to December 31, 2019
Total service cost	\$ 217,646
Interest on total pension liability	631,514
Effect of plan changes	-
Employee contributions (reduction of expenses)	(90,372)
Projected earnings on plan investments (reduction of expenses)	(583,579)
Administrative expenses	7,552
Other changes in fiduciary net position	227
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(36,081)
Recognition of current year deferred (inflows)/outflows of resources - assets	(150,272)
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	(71,048)
Amortization of prior year deferred (inflows)/outflows of resources - assets	171,528
Total pension expense	\$ 97,115

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 10 – EMPLOYEE RETIREMENT BENEFITS – Continuation**

*Deferred Inflows / Outflows of Resources:*

As of September 30, 2020, 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	\$ 154,727	\$ -
Changes of assumptions	-	2,250
Net difference between projected and actual earnings	303,299	-
Contributions made subsequent to measurement date	N/A	122,105

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

Year ended December 31:	
2020	\$ (167,298)
2021	(129,509)
2022	(7,972)
2023	(150,997)
2024	-
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, 2020**

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

*Employees Covered by Benefit Terms*

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	4
Active employees	36

*Total OPEB Liability*

The City's total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The total OPEB liability in the December 31, 2019 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, 2019 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, 2019, the discount rate used in development of the Total OPEB Liability was 2.75% compared to 3.71% as of December 31, 2018.

Continued

**CITY OF TULIA, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2018	\$ 114,302
Changes for the year:	
Service cost	4,217
Interest on total OPEB liability	4,295
Changes of benefit terms	-
Effect of economic/demographic experience	(11,689)
Effect of assumptions changes or inputs	19,806
Benefit payments	(1,205)
Other	-
Balances as of December 31, 2019	\$ 129,726

*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 2.75%, 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 (1.75%) or 1 percentage point higher (3.75%) 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 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$ 155,297	\$ 129,726	\$ 109,487

Continued

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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

*OPEB Expense / (Income)*

	January 1, 2019 to December 31, 2019
Service cost	\$ 4,217
Interest on total OPEB liability	4,295
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience	(2,914)
Changes in assumptions or other inputs (1)	3,655
Other	-
Total OPEB expense	\$ 9,253

(1) Generally, this will only be the annual change in the municipal bond index rate. However, for this valuation, the changes in assumption also include the changes in the actuarial assumptions adopted in 2019.

*Deferred Inflows / Outflows of Resources:*

As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 13,013	\$ -
Changes of assumptions	4,996	20,792
Contributions made subsequent to measurement date	N/A	914

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:	
2020	\$ 741
2021	741
2022	(43)
2023	107
2024	1,237
Thereafter	-

**CITY OF TULIA, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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, 2020, the City contributed \$1,248 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, 2020 is as follows:

Operating revenues	\$	10,791
Operating expenses		(12,167)
Non-operating revenues, net of expenses		<u>64</u>
Net income	\$	<u><u>(1,312)</u></u>
 Total assets	 \$	 <u><u>150,277</u></u>
 Total liabilities	 \$	 <u><u>2,795</u></u>
 Total net position	 \$	 <u><u>147,482</u></u>

**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 \$629,616 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, 2020. 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, 2020 was \$362,957, which is based on accumulated usage of landfill area. It is estimated that an additional \$263,659 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, 2020, the City has used approximately 57.658% of the available landfill capacity for the permit MSW 1009A. The City expects to close MSW 1009A in the year 2065. 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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 473,433	\$ 473,433	\$ 443,351	\$ (30,082)
Sales	237,500	237,500	277,477	39,977
Franchise	125,000	125,000	148,527	23,527
Mixed beverage	1,500	1,500	521	(979)
Licenses and fees	15,000	15,000	18,565	3,565
Fines and forfeitures	95,750	95,750	77,721	(18,029)
Intergovernmental	114,500	114,500	130,517	16,017
Interest earnings	1,200	1,200	1,260	60
Miscellaneous	21,050	21,050	34,909	13,859
	<u>1,084,933</u>	<u>1,084,933</u>	<u>1,132,848</u>	<u>47,915</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
Administration	375,031	375,031	379,062	(4,031)
Municipal court	34,071	34,071	29,615	4,456
Building maintenance	29,481	29,481	39,846	(10,365)
Financial administration	155,710	155,710	169,073	(13,363)
Legislative	125,005	125,005	116,131	8,874
Fire	94,742	94,742	88,021	6,721
Police	1,137,491	1,137,491	1,083,920	53,571
Streets	274,498	274,498	260,100	14,398
Parks	155,865	155,865	129,971	25,894
Capital outlay	-	-	100,819	(100,819)
	<u>2,381,894</u>	<u>2,381,894</u>	<u>2,396,558</u>	<u>(14,664)</u>
Total expenditures				
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,296,961)</u>	<u>(1,296,961)</u>	<u>(1,263,710)</u>	<u>33,251</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	6,000	6,000	-	(6,000)
Transfers in	831,170	831,170	1,316,298	485,128
Transfers out	(33,850)	(33,850)	(35,373)	(1,523)
	<u>803,320</u>	<u>803,320</u>	<u>1,280,925</u>	<u>477,605</u>
Total other financing sources (uses)				
<b>NET CHANGE IN FUND BALANCE</b>	(493,641)	(493,641)	17,215	510,856
<b>FUND BALANCES - BEGINNING</b>	<u>318,193</u>	<u>318,193</u>	<u>318,193</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (175,448)</u>	<u>\$ (175,448)</u>	<u>\$ 335,408</u>	<u>\$ 510,856</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,			
	2019	2018	2017	2016
<b>Total Pension Liability:</b>				
Service cost	\$ 217,646	\$ 215,227	\$ 206,255	\$ 202,079
Interest on total pension liability	631,514	609,709	607,690	591,185
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(148,044)	(15,270)	(239,091)	5,294
Changes of assumptions	2,997	-	-	-
Benefit payments/refunds of contributions	(478,611)	(497,049)	(601,800)	(510,467)
Net change in total pension liability	225,502	312,617	(26,946)	288,091
Total pension liability, beginning	9,486,251	9,173,634	9,200,580	8,912,489
Total pension liability, ending (a)	<u>\$ 9,711,753</u>	<u>\$ 9,486,251</u>	<u>\$ 9,173,634</u>	<u>\$ 9,200,580</u>
<b>Fiduciary Net Position:</b>				
Employer contributions	\$ 158,152	\$ 178,284	\$ 172,265	\$ 164,899
Employee contributions	90,372	89,740	86,784	85,146
Net investment income	1,334,939	(273,989)	1,156,472	545,240
Benefit payments/refunds of contributions	(478,611)	(497,049)	(601,800)	(510,467)
Administrative expenses	(7,552)	(5,300)	(5,995)	(6,158)
Other	(227)	(275)	(304)	(332)
Net change in fiduciary net position	1,097,073	(508,589)	807,422	278,328
Fiduciary net position, beginning	8,645,608	9,154,197	8,346,775	8,068,447
Fiduciary net position, ending (b)	<u>\$ 9,742,681</u>	<u>\$ 8,645,608</u>	<u>\$ 9,154,197</u>	<u>\$ 8,346,775</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (30,928)</u>	<u>\$ 840,643</u>	<u>\$ 19,437</u>	<u>\$ 853,805</u>
Fiduciary net position as a % of total pension liability	100.32%	91.14%	99.79%	90.72%
Pensionable covered payroll	\$ 1,506,204	\$ 1,495,672	\$ 1,446,392	\$ 1,419,094
Net pension liability as a % of covered payroll	-2.05%	56.21%	1.34%	60.17%



Year Ended December 31,

2015	2014	2013	2012	2011	2010
\$ 182,698	\$ 179,065	\$ N/A	\$ N/A	\$ N/A	\$ N/A
590,150	576,521	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A
(82,715)	(171,204)	N/A	N/A	N/A	N/A
59,806	-	N/A	N/A	N/A	N/A
(353,625)	(429,379)	N/A	N/A	N/A	N/A
396,314	155,003	N/A	N/A	N/A	N/A
8,516,175	8,361,172	N/A	N/A	N/A	N/A
\$ 8,912,489	\$ 8,516,175	\$ N/A	\$ N/A	\$ N/A	\$ N/A
\$ 174,056	\$ 180,149	\$ N/A	\$ N/A	\$ N/A	\$ N/A
79,781	79,595	N/A	N/A	N/A	N/A
12,046	451,201	N/A	N/A	N/A	N/A
(353,625)	(429,379)	N/A	N/A	N/A	N/A
(7,337)	(4,711)	N/A	N/A	N/A	N/A
(363)	(387)	N/A	N/A	N/A	N/A
(95,442)	276,468	N/A	N/A	N/A	N/A
8,163,889	7,887,421	N/A	N/A	N/A	N/A
\$ 8,068,447	\$ 8,163,889	\$ N/A	\$ N/A	\$ N/A	\$ N/A
\$ 844,042	\$ 352,286	\$ N/A	\$ N/A	\$ N/A	\$ N/A
90.53%	95.86%	N/A	N/A	N/A	N/A
\$ 1,329,683	\$ 1,326,577	\$ N/A	\$ N/A	\$ N/A	\$ N/A
63.48%	26.56%	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%
2020	163,153	163,153	-	1,533,169	10.6%

**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	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% - 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

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,			
	2019	2018	2017	2016
<b>Total OPEB Liability:</b>				
Service cost	\$ 4,217	\$ 4,938	\$ 4,050	\$ N/A
Interest on total OPEB liability	4,295	4,023	3,966	N/A
Effect of plan changes	-	-	-	N/A
Effect of assumption changes or inputs	19,806	(7,818)	9,470	N/A
Effect of economic/demographic (gains) or losses	(11,689)	(5,171)	-	N/A
Benefit payments	(1,205)	(1,496)	(1,157)	N/A
Net change in total OPEB liability	15,424	(5,524)	16,329	N/A
Total OPEB liability, beginning	114,302	119,826	103,497	N/A
Total OPEB liability, ending	<u>\$ 129,726</u>	<u>\$ 114,302</u>	<u>\$ 119,826</u>	<u>\$ N/A</u>
Covered employee payroll	\$ 1,506,204	\$ 1,495,672	\$ 1,446,392	\$ N/A
Total OPEB liability as a % of covered employee payroll	8.61%	7.64%	8.28%	N/A

**CITY OF TULIA, TEXAS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**

Valuation Timing	<p>For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date and no later than the end of the employer's current fiscal year, consistently applied from period to period. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.</p> <p>The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date as of December 31, 2019; as such, no roll-forward is required.</p>
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
Retiree's share of benefit-related costs	-
Administrative expenses	<p>All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.</p>
Mortality rates - service retirees	<p>2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale of UMP.</p>
Mortality rates - disabled retirees	<p>2019 Municipal Retirees of Texas Mortality Tables with 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.</p>

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.

**COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION**

**CITY OF TULIA, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2020**

	Capital Replacement	Health Insurance	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 227,930	\$ 84,025	\$ 311,955
Receivables, net	-	25,374	25,374
Total current assets	227,930	109,399	337,329
Total assets	227,930	109,399	337,329
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	73,808	35	73,843
Total current liabilities	73,808	35	73,843
Total liabilities	73,808	35	73,843
<b>NET POSITION</b>			
Unrestricted	154,122	109,364	263,486
Total net position	\$ 154,122	\$ 109,364	\$ 263,486

**CITY OF TULIA, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Capital Replacement	Health Insurance	Total Internal Service Funds
<b>OPERATING REVENUES:</b>			
Fleet maintenance	\$ 442,006	\$ -	\$ 442,006
Charges for services	-	283,195	283,195
Total operating revenues	442,006	283,195	725,201
<b>OPERATING EXPENSES:</b>			
Maintenance and other supplies	49,195	-	49,195
Insurance premiums paid	-	269,003	269,003
Insurance claims paid	-	1,083	1,083
Total operating expenses	49,195	270,086	319,281
<b>OPERATING INCOME</b>	392,811	13,109	405,920
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment earnings	3,523	877	4,400
Insurance recoveries	9,975	-	9,975
Total nonoperating revenues (expenses)	13,498	877	14,375
<b>INCOME BEFORE TRANSFERS</b>	406,309	13,986	420,295
<b>TRANSFERS, net</b>	(471,203)	-	(471,203)
<b>CHANGE IN NET POSTION</b>	(64,894)	13,986	(50,908)
<b>NET POSITION - BEGINNING</b>	219,016	95,378	314,394
<b>NET POSITION - ENDING</b>	\$ 154,122	\$ 109,364	\$ 263,486

**CITY OF TULIA, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Capital Replacement</u>	<u>Health Insurance</u>	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts for internal service charges	\$ 515,814	\$ 280,854	\$ 796,668
Payments to suppliers and service providers	(49,195)	-	(49,195)
Payments for health insurance claims	-	(1,083)	(1,083)
Payments for insurance premiums	-	(268,968)	(268,968)
	<u>466,619</u>	<u>10,803</u>	<u>477,422</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers between other funds	<u>(471,203)</u>	<u>-</u>	<u>(471,203)</u>
	<u>(471,203)</u>	<u>-</u>	<u>(471,203)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Insurance recoveries	<u>9,975</u>	<u>-</u>	<u>9,975</u>
	<u>9,975</u>	<u>-</u>	<u>9,975</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	<u>3,523</u>	<u>877</u>	<u>4,400</u>
	<u>3,523</u>	<u>877</u>	<u>4,400</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>8,914</b>	<b>11,680</b>	<b>20,594</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>219,016</u>	<u>72,345</u>	<u>291,361</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><u>\$ 227,930</u></u>	<u><u>\$ 84,025</u></u>	<u><u>\$ 311,955</u></u>

Continued



**CITY OF TULIA, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Capital Replacement</u>	<u>Health Insurance</u>	<u>Total Internal Service Funds</u>
Continuation			
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income	\$ 392,811	\$ 13,109	\$ 405,920
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(2,341)	(2,341)
Increase (decrease) in accounts payable	<u>73,808</u>	<u>35</u>	<u>73,843</u>
Net cash provided by operating activities	<u>\$ 466,619</u>	<u>\$ 10,803</u>	<u>\$ 477,422</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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

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

DOSHIER, PICKENS & FRANCIS, LLC

March 18, 2021