

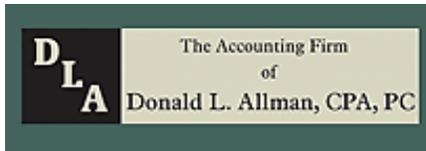
REVISED AND RESTATED

CITY OF THRALL, TEXAS

**Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September, 30, 2018**

**CITY OF THRALL, TEXAS
ANNUAL FINANCIAL REPORT
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Year Ended September 30, 2018**

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Thrall, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thrall, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Thrall, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thrall, Texas as of September 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 4-10, and pages 43-45 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019 on our consideration of the City of Thrall, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Thrall, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Donald L. Allman, CPA, PC

Georgetown, TX

March 15, 2019

REVISED AND RESTATED

August 18, 2020

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the city's financial statements, which follow this section.

Financial Highlights

- The City's total net position decreased by \$ (341,555) for the year in comparison to the prior year decrease of \$(89,619).
- The Proprietary Fund reported a net loss of \$(73,612) before transfers for the fiscal year ended September 30, 2018. The General Fund reported a net loss of \$(267,943) for the fiscal year ended September 30, 2018. REVISED AND RESTATED
- The City's Governmental Funds balance reported a net decrease of \$(9,202) for the fiscal year ended September 30, 2018.

Using this Annual Report

This annual report presents the following three components of the financial statements.

1. Government-wide financial statements provide information for the City as a whole.
2. Fund financial statements provide detailed information for the City's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements. This information includes a management's discussion and analysis and a budgetary comparison schedule.

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

The *Statement of Net Position* presents information on all of the assets and liabilities of the City. The difference between assets and liabilities is presorted as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Government-Wide Financial Statements

The *Statement of Activities* presents information on how the City's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Both the Statement of Net Position and the Statement of Activities present information for the following:

- Governmental activities include general government, public safety, health, highways, streets, sanitation, community improvements, planning and zoning, judicial, general administrative, and other services are authorized by its code of ordinances and its citizens.
- Business activities include water and sewer services.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements begin on page 11. The following table is a summary of net position as of September 30, 2018:

Government-Wide Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 367,402	\$ 1,698,104	\$ 271,778	\$ 282,343	\$ 639,180	\$ 1,980,447
Capital assets	1,409,582	319,589	1,882,753	1,952,736	3,292,335	2,272,325
Total assets	1,776,984	2,017,693	2,154,531	2,235,079	3,931,515	4,252,772
Deferred outflows of resources	(687)	497	(685)	499	(1,372)	996
Current liabilities	79,060	59,332	54,298	52,430	133,358	111,762
Long-term liabilities	1,545,416	1,541,488	238,140	255,210	1,783,556	1,796,698
Total liabilities	1,624,476	1,600,820	292,438	307,640	1,916,914	1,908,460
Deferred inflows of resources	21,094	15,212	21,095	15,213	42,189	30,425
Net position:						
Net investment in						
capital assets	239,253	274,475	1,652,753	1,707,736	1,892,006	1,982,211
Restricted	200,500	174,604	34,710	27,625	235,210	202,229
Unrestricted	(309,026)	(46,921)	148,163	177,364	(160,863)	130,443
Total net position	\$ 130,727	\$ 402,158	\$ 1,835,626	\$ 1,912,725	\$ 1,966,353	\$ 2,314,883

Depreciation reduced the recorded balance of capital assets by \$60,735 and added \$1,105,728 in road improvements construction in progress and a police truck for \$45,000 for governmental activities and depreciation was \$74,680 for business-type activities.

Long-term liabilities of the City reflected scheduled payments on bonds, loans and capital lease debt which reduced the outstanding principal balances of debt by \$28,836 in the General Fund and \$15,000 in the Proprietary Fund. \$1,500,000 in 2017 Road Improvement Bond payable was added in 2017.

Government-wide Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Change in net position						
Total revenues	\$ 496,522	\$ 327,853	\$ 488,511	\$ 478,964	\$ 985,033	\$ 806,817
Total expenses	871,424	442,508	455,164	453,928	1,326,588	896,436
Change before transfers	(374,902)	(114,655)	33,347	25,036	(341,555)	(89,619)
Transfers	106,959	80,908	(106,959)	(80,908)	-	-
Change in net position	(267,943)	(33,747)	(73,612)	(55,872)	(341,555)	(89,619)
Prior Period Adjustment	(3,488)		(3,487)		(6,975)	
Net position - beginning	402,158	435,905	1,912,725	1,968,597	2,314,883	2,404,502
Net position - ending	\$ 130,727	\$ 402,158	\$ 1,835,626	\$ 1,912,725	\$ 1,966,353	\$ 2,314,883

The specific changes in revenues and expenses are shown in the tables that follow, along with a discussion of the events giving rise to those changes.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 29,890	\$ 27,413	\$ 479,738	\$ 472,128	\$ 509,628	\$ 499,541
Operating grants and contributions	-	3,411	-	-	5,165	3,411
Interest income	367	320	223	254	590	574
General revenues:						
Property taxes	237,335	150,422	-	-	237,335	150,422
Sales tax	158,008	61,147	-	-	158,008	61,147
Franchise taxes	39,561	36,817	-	-	39,561	36,817
Other general revenues	26,196	48,323	8,550	6,582	34,746	54,905
Total revenues	\$ 496,522	\$ 327,853	\$ 488,511	\$ 478,964	\$ 985,033	\$ 806,817

Water & Sewer revenues increased slightly in fiscal year 2018. Those amounts are expected to be consistent from one year to the next, and revenues that are recorded typically correspond to additional (non-recurring) expenditures incurred in that year.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Expenses						
General government	\$ 703,822	\$ 389,964	\$ -	\$ -	\$ 703,822	\$ 389,964
Public safety	45,516	30,903	-	-	45,516	30,903
Municipal court	11,939	15,233	-	-	11,939	15,233
Park	11,786	6,408	-	-	11,786	6,408
Public Works Streets	98,361					
Water and wastewater	-	-	455,164	453,928	455,164	453,928
Total expenses	\$ 871,424	\$ 442,508	\$ 455,164	\$ 453,928	\$ 1,326,588	\$ 896,436

Expenses increased in the Water & Sewer Fund in correlation to the increase in Water & Sewer usage.

Financial Analysis of the City's Funds

Significant changes between the current and prior year activities of the general fund and the utility system fund are essentially the same as the comparisons discussed above for the government-wide financial statements. The general fund has an unassigned fund balance of \$(309,026) at the end of the year. That is a 650 percent decrease from the prior year, and is due to capital improvements added and debt service required for the new Bond issue.

The utility fund reported a change in net position of \$ (73,612) for the year, compared to \$(55,872) in the previous year. The change in net assets includes depreciation expense of approximately \$75,000. The ending balance of unrestricted net position of the utility fund of \$ 152,508 represents just under 5 months in terms of utility fund expenses excluding depreciation.

General Fund Budgetary Highlights

The budgetary comparison statement reflects a significant unfavorable variance on the line for Sales Tax and municipal court revenues and a positive variance on the line for public safety expenditures. The City's budget includes the collection of the State portion of fines in revenues and the payments to the State in expenditures. Fines collected on behalf of the State should not be included in the City's revenues and the payments to the State for those collections should not be included in the City's expenditures.

The budgetary comparison statement also reflects a positive variance on the line for other financing resources for debt issued and negative variances on the lines for general government and public safety expenditures.

Capital Asset and Debt Administration

Capital Assets

The following capital asset information is presented net of depreciation. More detailed information can be found on pages 29 and 30 in the notes to the financial statements.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Land and CNN	\$ 2,971	\$ 2,971	\$ 134,209	\$ 134,209	\$ 137,180	\$ 137,180
Construction in progress	-	-	-	-	-	-
Distribution and collection systems	-	-	1,733,534	1,806,806	1,733,534	1,806,806
Buildings and improvements	94,423	101,690	716	821	95,139	102,511
Equipment	62,942	39,316	14,294	10,900	77,236	50,216
Infrastructure	1,249,246	175,612	-	-	1,249,246	175,612
Totals at historical cost	\$ 1,409,582	\$ 319,589	\$ 1,882,753	\$ 1,952,736	\$ 3,292,335	\$ 2,272,325

The books also recognized depreciation expense which reduced reported capital assets by \$60,735 for governmental activities and by \$74,680 for business-type activities.

Debt

More detailed information on the City's debt can be found on pages 31-33 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ 1,485,000	\$ 1,500,000	\$ 230,000	\$ 245,000	\$ 1,715,000	\$ 1,745,000
Loans payable	79,601	40,755	-	-	79,601	40,755
Capital leases payable	-	-	-	-	-	-
Totals	\$ 1,564,601	\$ 1,540,755	\$ 230,000	\$ 245,000	\$ 1,794,601	\$ 1,785,755

The books also reflect that the City made payments on debt which reduced the outstanding principal balance by \$29,041 for governmental activities debt and by \$ 15,000 for business-type activities debt.

There is no direct debt limitation under state law, however, the Texas Constitution does limit the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service. The actual amount of debt the City might be able to fund with that tax rate depends on the term over which the debt is to be repaid, the interest rate on the debt, and the amount of taxes which are not collected. The City did not have any general obligation bonds outstanding at September 30, 2018.

Economic Factors and Next Year's Budgets and Rates

Increases in wastewater and water rates charged to users and other revenue sources will be considered by the Council to provide additional funds as needed.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please direct your requests to the City Secretary, City of Thrall, P.O. Box 346, Thrall, Texas, 76578.

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (note 2)	\$ 146,199	\$ 176,779	\$ 322,978
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivables	1,575	34,376	35,951
Property taxes, sales taxes & franchise fees	16,154	-	16,154
Fines receivable	2,974	-	2,974
Internal balances	-	-	-
Restricted cash (note 2)	200,500	60,623	261,123
Capital assets (note 5):			
Land and CCN	2,971	134,209	137,180
Construction in progress	-	-	-
Other capital assets, net of depreciation	1,406,611	1,748,544	3,155,155
Total assets	<u>1,776,984</u>	<u>2,154,531</u>	<u>3,931,515</u>
Deferred Outflows of Resources	(687)	(685)	(1,372)
LIABILITIES			
Accounts payable	7,514	4,195	11,709
Accrued liabilities	24,533	1,068	25,601
Customer deposits	-	34,035	34,035
Noncurrent liabilities (note 7):			
Total OPEB Liability	4,688	4,687	9,375
Net Pension Liability	23,140	23,140	46,280
Due within one year	47,013	15,000	62,013
Due in more than one year	1,517,588	215,000	1,732,588
Total liabilities	<u>1,624,476</u>	<u>297,125</u>	<u>1,921,601</u>
Deferred Inflows of Resources	21,094	21,095	42,189
NET POSITION			
Net investment in capital assets	239,253	1,652,753	1,892,006
Restricted for:			
Debt service	105,937	26,875	132,812
Sales tax street repairs	35,831	-	35,831
Municipal court	5,847	-	5,847
Police training	2,293	-	2,293
Park project	8,344	-	8,344
Construction	42,248	7,835	50,083
Unrestricted (deficit)	(309,026)	148,163	(160,863)
Total net position	<u>\$ 130,727</u>	<u>\$ 1,835,626</u>	<u>\$ 1,966,353</u>

The accompanying notes are an integral part of the financial statements.

City of Thrall, Texas

Statement of Activities
REVISED AND RESTATED

For the Year Ended September 30, 2018

<u>Functions / Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:							
Governmental activities:							
General government	\$ 703,822	\$ 492	\$ 5,165	\$ -	\$ (698,165)	\$ -	\$ (698,165)
Public safety	45,516	-	-	-	(45,516)	-	(45,516)
Public Works Streets	98,361				(98,361)		(98,361)
Municipal court & parks	23,725	29,398	-	-	5,673	-	5,673
Total governmental activities	<u>871,424</u>	<u>29,890</u>	<u>5,165</u>	<u>-</u>	<u>(836,369)</u>	<u>-</u>	<u>(836,369)</u>
Business-type activities:							
Water and wastewater	455,164	479,738	-	-	-	24,574	24,574
Total business-type activities	<u>455,164</u>	<u>479,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,574</u>	<u>24,574</u>
Total primary government	<u>\$1,326,588</u>	<u>\$ 509,628</u>	<u>\$ 5,165</u>	<u>\$ -</u>	<u>\$ (836,369)</u>	<u>\$ 24,574</u>	<u>\$ (811,795)</u>
General revenues:							
Property taxes					\$ 237,335	\$ -	\$ 237,335
Sales tax					158,008	-	158,008
Franchise taxes					39,561	-	39,561
Investment earnings					367	223	590
Miscellaneous					26,196	8,550	34,746
Transfers					106,959	(106,959)	-
Total general revenues and transfers					<u>568,426</u>	<u>(98,186)</u>	<u>470,240</u>
Change in net position					(267,943)	(73,612)	(341,555)
Prior Period OPEB Adjustment					(3,488)	(3,487)	(6,975)
Net Position - beginning					402,158	1,912,725	2,314,883
Net position - ending					<u>\$ 130,727</u>	<u>\$ 1,835,626</u>	<u>\$ 1,966,353</u>

The accompanying notes are an integral part of the financial statements.

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 146,199	\$ -	-	\$ 146,199
Receivables (net, where applicable, of allowances for uncollectibles):	-			
Sales Tax & Franchise Fees	8,105			8,105
Property taxes	11,023	-	-	11,023
Fines receivable	1,575	-	-	1,575
Due from other funds	-			-
Restricted cash	-	105,937	94,563	200,500
Total assets	<u>\$ 166,902</u>	<u>\$ 105,937</u>	<u>94,563</u>	<u>\$ 367,402</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	7,514	-	-	7,514
Accrued liabilities	24,533	-	-	24,533
Total liabilities	<u>\$ 32,047</u>			<u>\$ 32,047</u>
Deferred Inflows of Resources				
Deferred property tax revenue	11,023	-	-	11,023
Deferred fine revenue	-	-	-	-
Total deferred inflows of resources	<u>11,023</u>	<u>-</u>	<u>-</u>	<u>11,023</u>
Fund Balances: Nonspendable				
Restricted for: Debt Service	-	105,937	-	105,937
Committed for: Sales tax street repairs	-		35,831	35,831
Committed for: Court Tech & Security	-		5,847	5,847
Committed for: Police training	-		2,293	2,293
Committed for: Park project	-		8,344	8,344
Committed for Construction			42,248	42,248
Unassigned	123,832		-	123,832
Total fund balances	<u>123,832</u>	<u>105,937</u>	<u>94,563</u>	<u>324,332</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 166,902</u>	<u>\$ 105,937</u>	<u>94,563</u>	<u>\$ 367,402</u>

The accompanying notes are an integral part of the financial statements.

THORNDALE'S RECONCILIATION INFORMATION - PLEASE USE THIS AS A GUIDE W/ THRALL'S DATA ABOVE

Total Fund Balance - Governmental Funds:	\$ 324,332
Net Pension Liability is not included in governmental funds	(23,140)
Compensated absences not included in governmental funds	(77)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
OPEB Liability and Deferred Outflows not included in governmental funds	(4,346)
Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(11,023)
Long-term liabilities are not due and payable in the current period and therefore have not been included in the fund financial statements.	(1,564,601)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (See Note 6)	<u>1,409,582</u>
Net Position of Governmental Activities	<u>\$ 130,727</u>

The accompanying notes are an integral part of the financial statements.

City of Thrall, Texas

*Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds*

For the Year Ended September 30, 2018

REVISED AND RESTATED

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
REVENUES				
Property taxes, penalties, and interest	\$ 237,335			\$ 237,335
Sales tax	158,008		-	158,008
Franchise taxes	39,561			39,561
Municipal court fines	29,398			29,398
Lease income	492			492
Miscellaneous	31,361		-	31,361
Investment earnings	367		-	367
Total revenues	496,522	-	-	496,522
EXPENDITURES				
Current:				
General government	402,954		-	402,954
Public safety	29,747		-	29,747
Municipal court	18,407		-	18,407
Public Works Streets	66,267			66,267
Capital Outlay	1,150,728			1,150,728
Total expenditures	1,668,103	-	-	1,668,103
Excess (deficiency) of revenues over expenditures	(1,171,581)	-	-	(1,171,581)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds received	1,150,728			1,150,728
Interest expense paid		(66,267)		(66,267)
Debt principal paid	-	(29,041)		(29,041)
Transfers out	(211,954)			(211,954)
Transfers in	197,709	105,937	15,267	318,913
Total other financing sources (uses)	1,136,483	10,629	15,267	1,162,379
Net change in fund balances	(35,098)	10,629	15,267	(9,202)
Fund balances - beginning	158,930	95,308	79,296	333,534
Fund balances - ending	\$ 123,832	\$ 105,937	94,563	\$ 324,332

The accompanying notes are an integral part of the financial statements

City of Thrall, Texas

*Reconciliation of the Statement of Revenues
Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities*

For the Year Ended September 30, 2018

REVISED AND RESTATED

Net change in fund balances - total governmental funds \$ (9,202)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add back capital outlays. 1,150,728

Subtract depreciation expense. (60,735)

OPEB expense not included in governmental funds (858)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenues:

Add deferred property tax revenues at the end of the year. 16,154

Subtract deferred property tax revenues at the beginning of the year. (13,395)

Fine revenues:

Add noncurrent receivables at the end of the year 2,974

Subcontract noncurrent receivables at the beginning of the year 552

Transfers outside of Governmental Funds not included (197,709)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Subtract current period debt issued. (1,150,728)

Add back principal payments on long-term debt. 29,041

Total Pension Expense & OPEB Expense is not included in Governmental Funds (12,391)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (20,174)

Compensated absences:

Subtract noncurrent liability at the end of the year. (4,359)

Add noncurrent liability at the beginning of the year. 2,159

Change in net position of governmental activities. \$ (267,943)

The accompanying notes are an integral part of the financial statements.

City of Thrall, Texas

Statement of Net Position
Proprietary Fund

As of September 30, 2018

	Business-type Activities Enterprise Funds
	<u> </u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 176,779
Receivables (net, where applicable, of allowances for uncollectibles):	
Accounts receivable	34,376
Total current assets	<u>\$ 211,155</u>
Noncurrent assets:	
Restricted cash	60,623
Capital assets:	
Land and CCN	134,209
Other capital assets, net of depreciation	1,748,544
Total noncurrent assets	<u>1,943,376</u>
Total assets	<u>2,154,531</u>
Deferred Outflows of Resources	(685)
LIABILITIES	
Current liabilities	
Accounts payable	4,195
Accrued liabilities	-
Due to other funds	-
Customer deposits	34,035
Long-term debt	15,000
Total current liabilities	<u>53,230</u>
Noncurrent liabilities:	
Net Pension Liability	23,140
Total OPEB Liability	4,687
Accrued vacation	1,068
Long-term debt	215,000
Total noncurrent liabilities	<u>243,895</u>
Total liabilities	<u>297,125</u>
Deferred Inflows of Resources	21,095
NET POSITION	
Net investment in capital assets	1,652,753
Restricted for debt service	34,710
Unrestricted (deficit)	148,163
Total net position	<u>\$ 1,835,626</u>

The accompanying notes are an integral part of the financial statements.

City of Thrall, Texas

*Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds*
REVISED AND RESTATED

For the Year Ended September 30, 2018

	Business-type Activities Enterprise Funds
OPERATING REVENUES	
Charges for services (pledged for revenue debt)	\$ 479,738
Miscellaneous	-
Total operating revenues	479,738
OPERATING EXPENSES	
Water purchased	117,403
Salaries and benefits	98,517
Professional fees	5,872
Office expense	3,873
Utilities	10,609
Repairs and maintenance	101,591
Miscellaneous	16,522
Total Pension Expense	12,391
Depreciation	74,680
Total operating expenses	441,458
Operating income (loss)	38,280
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	8,550
Interest expense	(12,625)
Total nonoperating revenues (expenses)	(4,075)
Net income (loss) before contributions and transfers	34,205
Capital contributions - grants	-
Capital contributions - recovery fees	-
Transfers in	(106,959)
Change in net position	(72,754)
Prior Period OPEB Adjustment	(4,345)
Net position - beginning	1,912,725
Net position - ending	\$ 1,835,626

The accompanying notes are an integral part of the financial statements.

City of Thrall, Texas

Statement of Cash Flows
Proprietary Fund

For the Year Ended September 30, 2018

REVISED AND RESTATED

	Business-type Activities Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 481,595
Payments to suppliers	(272,834)
Payments to employees	(91,435)
Net cash provided (used) by operating activities	<u>117,326</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	(106,959)
Net cash provided (used) by noncapital financing activities	<u>(106,959)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from capital grant	-
Receipts of capital recovery fees	-
Interest payments on outstanding debt	(12,625)
Principal payments on outstanding debt	(15,000)
Net cash provided (used) by capital and related financing activities	<u>(27,625)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment revenue received	8,550
Net cash provided (used) by investing activities	<u>8,550</u>
Net increase (decrease) in cash and cash equivalents	(8,708)
Balances - beginning of the year	<u>246,110</u>
Balances - end of the year	<u>\$ 237,402</u>

The accompanying notes are an integral part of the financial statements.

City of Thrall, Texas

Statement of Cash Flows
Proprietary Fund (Continued)

For the Year Ended September 30, 2018

	Business-type Activities Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 38,280
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	74,680
Changes in assets and liabilities:	
Decrease in Accounts receivable	1,857
Increase in Accounts payable	1,858
Decrease in Accrued liabilities	3,279
Increase in Net Pension Liability	(4,698)
Decrease in Customer deposits	-
Total Pension Expense is a non cash expense	2,070
Increase in Accrued vacation	-
Net cash provided (used) by operating activities	<u>\$ 117,326</u>

The accompanying notes are an integral part of the financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Thrall, Texas (the City), is a general law city in Williamson County which is incorporated in the State of Texas. The City operates under a Council form of government and provides such services as: public safety, highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, general administrative, and water and wastewater services.

The accounting policies of the City conform to generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant policies.

A. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole presenting all assets, liabilities, and changes in net position of the City. These statements are prepared using the accrual basis of accounting.

Separate rows and columns are used in the government-wide statements to distinguish between governmental activities and business-type activities, with a total column for the primary government as a whole.

B. SCOPE OF THE REPORTING ENTITY

The City has used the criteria detailed in GASB Statement 14 as amended by GASB 61 to determine whether or not certain entities should be included in the accompanying financial statements. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. There were no legally separate organizations which should be treated as component units of the City for the year ended September 30, 2015.

C. FUND FINANCIAL STATEMENTS

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds and proprietary funds. The City has no fiduciary funds. The governmental and proprietary fund financial statements place an emphasis on major funds. Those funds which are determined to be major funds are presented in separate columns, with all nonmajor funds being aggregated and displayed in a single column. Interfund receivable and payable balances and transfer between funds have not been eliminated in the fund financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. FUND FINANCIAL STATEMENTS (Continued)

The City has reported the following major governmental funds.

General Fund – The General Fund accounts for all revenues and expenditures of the City which are not accounted for in other funds. It receives a greater variety and number of taxes and other general revenues than any other fund. The General Fund’s resources also finance a wider range of activities than any other fund. Major functions financed by the General Fund include administration, public safety, municipal court, sanitation, park maintenance and street maintenance.

The City has no other governmental funds besides the general fund.

The City has reported the following major proprietary funds.

Utility System Fund – This fund’s function is to provide for a source of supply of water, and its distribution to customers and to provide for the sanitary collection, treatment and disposal of sewage on a user charge basis.

The City has no other proprietary funds besides the utility fund.

The City has no internal service funds or fiduciary fund types.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to whether a particular type of transaction will be recorded in the financial statements. The economic resources measurement focus recognizes all resources and obligations and the changes in them. The current financial resources measurement focus recognizes only current resources and obligations and transactions affecting current resources and obligations. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide financial statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements specific to the class of nonexchange transaction. For the government-wide financial statements prepared on the accrual basis, property tax revenues are recognized in the period for which the taxes are levied.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Fund financial statements – governmental funds

The fund financial statements for the governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus affects the accounting and reporting treatment of capital assets and long-term liabilities. The capital assets and long-term liabilities of the governmental activities are not recorded on the balance sheet of the fund financial statements of the governmental funds. Transactions for the purchase of assets, the issuance of debt, and the payment of debt principal are reflected in the governmental funds, but they are reported on the statement of revenues, expenditures, and changes in fund balances as capital outlay and debt service principal expenditures and proceeds from debt.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available and recognizes expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which recognized when due.

While the City expects all taxes on real property to ultimately be collectible, the bulk of delinquent property taxes receivable at the end of the fiscal year are not anticipated to be collected soon enough thereafter to be used to pay liabilities of the current period. Therefore, revenue from delinquent property taxes receivable is not recognized in the fund financial statements unless collected during the current period.

Fines receivable but not past due at the end of the fiscal year may be subsequently reduced when the offender attends a defensive driving course, provides proof of insurance, has the offense dismissed by the municipal court, or serves jail time. Current fines receivable thus do not meet the measurability criterion required to be susceptible to accrual. A significant portion of past due fines receivable is not anticipated to be collected soon enough the meet the criterion that the revenue be available.

Fund financial statements – proprietary funds

The fund financial statements for the proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for purposes of the statement of cash flows represent demand accounts and petty cash. Certificates of deposit, U.S. government debt securities, money market mutual funds, and investments in local government investment pools are recorded as investments and are not treated as cash or cash equivalents.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. INVESTMENTS

The City had no investments at September 30, 2018. The City is authorized to invest in certificates of deposit at the City's depository bank, obligations of the United States of America, and investment pools and no-load money market mutual funds which meet the conditions of the State of Texas Public Funds Investment Act. Money market mutual funds must be no-load funds which are regulated by the Securities and Exchange Commission, have a dollar-weighted average stated maturity of 90 days or fewer, and include the investment objective of the maintenance of a stable net asset value of \$1 for each share.

G. RECEIVABLES

Unbilled service receivables have been accrued in the proprietary funds to record the estimated amount of revenues earned but not billed as of the end of the fiscal year. The estimate is based on the pro rata number of days in the billing cycle before and after the fiscal year end.

H. CAPITAL ASSETS

Capital assets are defined by the City as assets with an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost if not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	20 years
Distribution & Collection	24-50 years
Buildings and Improvements	20-40 years
Machinery and Equipment	5-20 years

I. ACCUMULATED UNPAID PAID TIME OFF

Paid time off may be accumulated by employees at the rate of 80 hours after 1 year of service, 160 hours for 2 through 4 years of service, and 200 hours with 5 or more years of service. Accrued, unused paid time off is included in an employee's final pay. The total liability for the governmental fund's accumulated paid time off of \$ 6,708 is reflected in the government-wide financial statements. None of it is reported in the fund financial statements because none of it is considered to be a current liability.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. LONG-TERM DEBT

In the government-wide financial statements, bonds payable are reported net of any applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds as an adjustment to interest expense. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements of governmental funds, the face amount of debt issued and any premium received are reported as other financing sources, while discounts on debt issued are reported as other financing uses, and issuance costs are reported as debt service expenditures.

K. COMMITTED FUND BALANCE

The government's highest level of decision-making authority is the City Council, and a formal resolution of the City Council is required to establish or rescind a fund balance commitment.

L. USE OF RESTRICTED RESOURCES AND COMMITTED RESOURCES

When an expense is incurred for purposes for which both restricted fund balance or net position and unrestricted fund balance or net position are available, City policy is to first apply restricted resources. When an expense is incurred for purposes for which both committed fund balance and unassigned fund balance are available, City policy is to first apply committed resources.

M. INTERNAL ACTIVITY

The City does not maintain any internal service funds or use the general fund to charge other funds or programs for centralized expenses, and there are not administrative overhead charges which would need to be either eliminated or disclosed as being included in direct expenses.

N. PROGRAM REVENUES AND INDIRECT EXPENSES

The government-wide statement of activities is presented in a format that identifies the net cost of the City's individual functions. The expenses of each function are reduced by the functions program revenues. Program revenues are revenues which derive directly from the program itself and include charges for services, program-specific operating grants and contributions, and program specific capital grants and contributions.

Some governmental functions such as administration are in essence indirect expenses of other functions. Governments are not required to allocate those indirect expenses to other functions, but if they do, indirect expenses should be presented in a separate column from direct expenses. The City has chosen not to allocate those indirect expenses.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. OPERATING AND NONOPERATING REVENUES AND EXPENSES

The City’s policy in distinguishing proprietary fund operating and nonoperating revenues and expenses follows the guidance for distinguishing types of cash flows. Transactions for capital and related financing activities, noncapital financing activities, or investing activities are normally not treated as operating revenues or expenses.

P. ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management’s estimates. Items for which estimates are necessary include the amount of receivables which may not be collectible, inventory obsolescence, and service lives and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amount from contingencies such as litigation.

2 DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City maintains a depository contract which requires its bank to pledge securities to the City in an amount sufficient to secure the total amount of the City’s funds on deposit, less any portion of the deposit balance which is secured by FDIC coverage. The carrying amount of the City’s deposits was \$584,101 at year end and the bank balance was \$584,101. Of the bank balance, \$250,000 was insured by federal depository insurance and the remaining \$334,101 was collateralized with securities held by the City’s agent (safekeeping bank) in the City’s name.

3 RECEIVABLES

Receivables are recorded net of allowances for uncollectible accounts as follows:

	Gross	Allowance	Net
	Receivables	for	Receivables
	<u> </u>	<u>Uncollectibles</u>	<u> </u>
General Fund			
Accounts receivable	\$ -	\$ -	\$ -
Property taxes receivable	11,023	-	\$ 11,023
Sales tax receivable	5,131		5,131
Fines & Franchise fees receivable	2,974	-	\$ 2,974
Utility System Fund			
Utility accounts receivable	34,681	(305)	34,376

4 AD VALOREM PROPERTY TAXES

Property taxes are levied on October 1 on assessed values as of January 1 for all real and personal property located in the City. Taxes are due in January of the following year and become delinquent on February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The October 1, 2017 levy was based upon 100 percent of the assessed market value of \$50,418,142. The maximum tax rate permitted by the Constitution of the State of Texas is \$2.50 per \$100.00 of assessed valuation. The tax rate for the October 1, 2017 levy was \$.470773 for a levy of \$237,335.

If the effective tax rate excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year. The county-wide Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised value. The value of property within the Appraisal District must be reviewed at least every five years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

5 CAPITAL ASSETS

	Beginning Balance	Primary Government		Ending Balance
		Additions	Retirement	
Governmental activities:				
Land	\$ 2,971	\$ -	\$ -	\$ 2,971
Construction in progress	-	-	-	-
Total undepreciated assets	2,971	-	-	2,971
Other capital assets:				
Buildings and improvements	172,702	-	-	172,702
Equipment & Vehicles	275,115	45,000	-	320,115
Infrastructure	332,811	1,105,728	-	1,438,539
Total other capital assets at historical cost	780,628	1,150,728	-	1,931,356
Less accumulated depreciation for:				
Buildings and improvements	(71,012)	(7,267)	-	(78,279)
Equipment & Vehicles	(235,799)	(21,374)	-	(257,173)
Infrastructure	(157,199)	(32,094)	-	(189,293)
Total accumulated depreciation	(464,010)	(60,735)	-	(524,745)
Other capital assets, net	316,618	1,089,993	-	1,406,611
Governmental activities capital assets, net	\$ 319,589	\$ 1,089,993	\$ -	\$ 1,409,582
Depreciation expense for governmental activities was charged as follows:				
General government	\$ 7,554			
Public safety	15,769			
Public Works Streets	32,094			
Parks	5,318			
Total governmental functions	\$ 60,735			

5 CAPITAL ASSETS (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirement	
Business-type activities:				
Land	\$ 114,209	\$ -	\$ -	\$ 114,209
Cert of convenience and necessity (CCN)	20,000	-	-	20,000
Construction in progress	-	-	-	-
Total undepreciated assets	<u>134,209</u>	<u>-</u>	<u>-</u>	<u>134,209</u>
Other capital assets:				
Distribution and collection systems	3,394,337	-	-	3,394,337
Buildings and improvements	4,203	-	-	4,203
Equipment	145,355	-	-	145,355
Total other capital assets at historical cost	<u>3,543,895</u>	<u>-</u>	<u>-</u>	<u>3,543,895</u>
Less accumulated depreciation for:				
Distribution and collection systems	(1,587,531)	(73,272)	-	(1,660,803)
Buildings and improvements	(3,382)	(105)	-	(3,487)
Equipment	(134,455)	(1,303)	-	(135,758)
Total accumulated depreciation	<u>(1,725,368)</u>	<u>(74,680)</u>	<u>-</u>	<u>(1,800,048)</u>
Other capital assets, net	<u>1,818,527</u>	<u>(74,680)</u>	<u>-</u>	<u>1,743,847</u>
Business-type activities capital assets, net	<u>\$ 1,952,736</u>	<u>\$ (74,680)</u>	<u>\$ -</u>	<u>\$ 1,878,056</u>

6 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Charges for garbage service are billed and collected with water and sewer charges and are deposited first into the utility fund bank account, and then the garbage portion is transferred to the general fund bank account. The September transfer was made in October. The following is a summary of amounts due from and due to other funds by individual major fund.

Payments to the City’s retirement plan were made from the general fund, but withholdings from employees were recorded in both the utility fund and the general fund. The portion of the payment made from the general fund that should have been made from the utility funds has been recorded as a transfer.

City of Thrall, Texas

Notes to the Financial Statements (Continued)

September 30, 2018

7 LONG-TERM DEBT

Long-term debt at September 30, 2018, is composed of the following items:

Equipment loans – Payable out of the General Fund

Equipment loans - Payable out of the General Fund

Loan payable to Frontier Bank secured by Tahoe; monthly installments of \$615 including principal and interest through March 20, 2020; interest at 5.95 percent. \$ 12,977

Loan payable to Frontier Bank secured by backhoe; monthly installments of \$615 including principal and interest through June 16, 2019; interest at 6.95 percent. 1,963

Loan payable to Frontier Bank secured by truck; monthly installments of \$449 including principal and interest through May 20, 2021; interest at 5.75 percent. 10,935

General Obligation Bonds, Series 2017 for Road Improvements & Drainage, due in annual installments ranging from \$15,000 to \$80,000 due on February 15, through February 15, 2052, with the interest rate ranging from 2% to 4%. 1,485,000

Revenue Bonds and other loans - Payable out of the Utility System Fund through revenues:

\$480,000 Series 1989 revenue bonds due in annual installments of \$15,000 to \$25,000 through October 1, 2019; interest at 5.00 percent 230,000

Loan payable to Frontier Bank for Chevy Pickup for Police Department monthly installments of \$820 including principal and interest through January 20, 2023; interest at 3.45 percent 38,726

Capital Leases (Note 8)

Payable out of the General Fund -

Accrued vacation payable out of the general fund 4,359

Accrued vacation payable out of the utility system fund 1,068

Total long-term debt \$ 1,785,028

7 LONG-TERM DEBT (Continued)

The following is a summary of long-term debt activity for September 30, 2018.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Loans and leases payable					
Loans payable	\$ 48,437	\$ 45,000	\$ (13,836)	\$ 79,601	\$ 32,013
General Obligation Bonds	1,500,000	-	(15,000)	1,485,000	15,000
Other liabilities					
Net Pension Liability	25,210	-	(2,070)	23,140	
Accrued vacation	4,359	-	-	4,359	-
Governmental activities long-term liabilities	<u>\$ 1,578,006</u>	<u>\$ 45,000</u>	<u>\$ (30,906)</u>	<u>\$ 1,592,100</u>	<u>\$ 47,013</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds and leases payable					
Revenue bonds	245,000	-	(15,000)	230,000	15,000
Loans	-	-	-	-	-
	<u>\$ 245,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 230,000</u>	<u>\$ 15,000</u>
Other liabilities:					
Net Pension Liability	25,210	-	(2,070)	23,140	
Accrued vacation	1,068	-	-	1,068	-
Business-type activities long-term liabilities	<u>\$ 246,068</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 254,208</u>	<u>\$ 15,000</u>

The City was in compliance with all significant limitations and restrictions contained in the debt agreements at year end.

7 LONG-TERM DEBT (Continued)

Debt service requirements on outstanding bonds and loans are as follows:

Year Ended September 30	Governmental Activities		Business-Type Activities	
	Loans		Bonds and Loans	
	Principal	Interest	Principal	Interest
2019	47,013	58,924	15,000	11,875
2020	43,447	57,266	15,000	11,125
2021	38,003	55,856	15,000	10,375
2022	34,548	53,962	20,000	9,500
2023	28,125	53,697	20,000	8,500
2024-2027	123,465	206,900	85,000	23,875
2028-2032	160,000	234,600	60,000	5,625
2033-2037	195,000	198,900	-	-
2038-2042	240,000	155,600	-	-
2043-2047	295,000	102,500	-	-
2048-2052	360,000	37,400	-	-
	<u>\$ 1,564,601</u>	<u>\$ 721,205</u>	<u>\$ 230,000</u>	<u>\$ 80,875</u>

8 CAPITAL LEASES PAYABLE

The City is obligated under a lease agreement which has been classified as a capital lease. Property under capital lease consists of equipment totaling \$34,993. The annual amortization has been included in depreciation expense and a total accumulated depreciation of \$34,993 has been recorded against the property under capital lease. The lease is payable out of the general fund.

9 PENSION PLAN

Plan Description

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

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

B. Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>5</u>
Total	7

C. Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is annually determined by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Thrall were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Thrall were 5% and 5% in calendar years 2018 and 2017 respectively. The city's contributions to TMRS for the year ended September 30, 2018 were \$14,167, and were in excess of the required contributions.

9 PENSION PLAN (Continued)

D. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5-10.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB o account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2015, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2017. These assumptions were first used in the December 31, 2016 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

NOTE 9 – PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**City of Thrall
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2018**

A. Total pension liability		
1. Service Cost	\$	15,633
2. Interest (on the Total Pension Liability)		7,501
3. Changes of benefit terms		-
4. Difference between expected and actual experience		3,137
5. Changes of assumptions		-
6. Benefit payments, including refunds of employee contributions		(540)
7. Net change in total pension liability	\$	25,731
8. Total pension liability - beginning		103,576
9. Total pension liability - ending	\$	129,307
B. Plan fiduciary net position		
1. Contributions - employer	\$	14,167
2. Contributions - employee		8,882
3. Net investment income		7,403
4. Benefit payments, including refunds of employee contributions		(540)
5. Administrative Expense		(38)
6. Other		(3)
7. Net change in plan fiduciary net position	\$	29,871
8. Plan fiduciary net position - beginning		53,156
9. Plan fiduciary net position - ending	\$	83,027
C. Net pension liability [A.9-B.9]	\$	46,280
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]		64.21%
E. Covered-employee payroll	\$	177,642
F. Net pension liability as a percentage of covered employee payroll [C / E]		26.05%

NOTE 9 – PENSION PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City’s net pension liability	\$63,763	\$46,280	\$31,707

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com

**CITY OF THRALL
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2018**

1. Total Service Cost	\$ 15,633
2. Interest on the Total Pension Liability	7,501
3. Current Period Benefit Changes	-
4. Employee Contributions (Reduction of Expense)	(8,882)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(3,588)
6. Administrative Expense	38
7. Other Changes in Fiduciary Net Position	2
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	629
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	(763)
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(72)
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	177
12. Total Pension Expense	<u>\$ 10,675</u>

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.

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.

NOTE 9 – PENSION PLANS (Continued)

**CITY OF THRALL
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2018**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2017 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	4.9900	\$ 3,137	\$ 629	\$ 2,508
Difference in assumption changes [actuarial (gains) or losses]	4.9900	\$ -	\$ -	\$ -
			<u>\$ 629</u>	<u>\$ 2,508</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings	5.0000	\$ (3,815)	\$ (763)	\$ (3,052)
on pension plan investments [actuarial (gains) or losses]			<u>\$ (763)</u>	<u>\$ (3,052)</u>
<u>Total:</u>				<u>\$ (544)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2018	\$ (29)
2019	(29)
2020	(208)
2021	(214)
2022	(72)
Thereafter	<u>(623)</u>
Total	\$ (1,175)

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

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 the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is on “other postemployment benefit,” or OPEB.

The 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 the employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2018, 2017, and 2016 were \$1275, \$1275, and \$1,275 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2014	N/A	N/A	100%
2015	N/A	N/A	100%
2016	0.00%	0.00%	100%
2017	0.00%	(city to provide)	(city to provide)
2018	0.00%	(city to provide)	(city to provide)

**Net Other Post Employment Benefits Liability.
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF THRALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	3.31%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/16	\$ 6,975
Changes for the year	
Service Cost	1,261
Interest on Total OPEB liability	287
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumption or other inputs	852
Benefit payments	<u>0</u>
Net changes	2,400
Total OPEB Liability – end of year	\$ 9,375
 Total OPEB Liability as a Percentage of Covered Payroll	 5.28%

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

The following presents the total OPEB liability of the City, calculated using the current discount rate of 3.31% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or -1 percentage point higher (4.31%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$11,633	\$9,375	\$7,729

**CITY OF THRALL
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2018**

1. Total Service Cost	1,261
2. Interest on the Total OPEB Liability	287
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	
6. Difference between expected and actual experience	-
7. Changes in assumptions or other inputs	<u>168</u>
8 Total OPEB Expense	1,716

**CITY OF THRALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2018**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

CITY OF THRALL

SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

SEPTEMBER 30, 2018

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2017 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	5.0800	\$ -	\$ -	\$ -
Difference in assumption changes [actuarial (gains) or losses]	5.0800	\$ 852	\$ 168	\$ 684
			<u>\$ 168</u>	<u>\$ 684</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2018	\$ 168
2019	168
2020	168
2021	168
2022	12
Thereafter	-
Total	<u>\$ 684</u>

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:
Total covered payroll * retiree Portion of SDB Contribution (Rate)

11. RISK MANAGEMENT

The City's risk management program includes coverage for property, general liability, automobile liability, public official's liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self-insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

12 CONCENTRATIONS OF CREDIT RISK

Proprietary fund accounts receivable are concentrated within the geographic service area of the utility system, which is within the City of Thrall. Those receivables are not concentrated within any individually significant customers. The City requires a deposit from each utility customer prior to establishing service. The net amount of proprietary fund accounts receivable at year end after reducing receivables for the allowance for doubtful accounts and after including estimated amounts for service provided but not yet billed at year end was \$34,681. Utility customer deposits held at year end totaled \$34,035.

12 SIGNIFICANT BUDGET OVERAGES

The budgetary comparison statement reflects a significant unfavorable variance on the line for municipal court revenues and a positive variance on the line for municipal court expenditures. The City's budget includes the collection of the State portion of fines in revenues and the payments to the State in expenditures. Fines collected on behalf of the State should not be included in the City's revenues and the payments to the State for those collections should not be included in the City's expenditures.

The budgetary comparison statement also reflects a positive variance on the line for other financing resources for debt issued and negative variances on the lines for general government and public safety expenditures. Those variances arose because the issuance of debt for the purchase of a police vehicle and a backhoe were not included when the City adopted the annual budget.

NOTE 13 – SUBSEQUENT EVENTS

The City did not have any subsequent events through March 24, 2018, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statement for the fiscal year ended September 30, 2018.

NOTE 14 – REVISED AND RESTATED AUDIT REPORT

The audit report for the City of Thrall was revised and restated on August 18, 2020 due to an error being found in transfers between the Proprietary Fund and the General Fund. A transfer of \$197,709 from the Proprietary Fund to the General Fund was not recorded as such in the City of Thrall's financial records. The audit report has been revised and restated to report the amount of the transfer and revise the income and expense accounts accordingly. All financial statements and notes affected by this restatement have been revised and corrected.

REQUIRED SUPPLEMENTAL INFORMATION

City of Thrall, Texas

*Budgetary Comparison Schedule
General Fund*

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Property taxes, penalties, and interest	226,800	226,800	237,335	10,535
Sales tax	100,704	100,704	158,008	57,304
Franchise taxes	39,576	39,576	39,561	(15)
Intergovernmental	-	-	-	-
Municipal court fines	86,400	86,400	29,398	(57,002)
Lease income	4,585	4,585	492	(4,093)
Miscellaneous	2,000	2,000	31,361	29,361
Investment earnings	-	-	367	367
Total revenues	<u>460,065</u>	<u>460,065</u>	<u>496,522</u>	<u>36,457</u>
EXPENDITURES				
Current:				
General government	237,006	237,006	600,663	(363,657)
Public safety	111,056	111,056	29,747	81,309
Public Works Streets	84,720	84,720	66,267	18,453
Municipal court	26,400	26,400	18,407	7,993
Total expenditures	<u>459,182</u>	<u>459,182</u>	<u>715,084</u>	<u>(255,902)</u>
Excess (deficiency) of revenues over expenditures	883	883	(218,562)	(219,445)
OTHER FINANCING SOURCES (USES)				
Capital Outlay			(1,150,728)	(1,150,728)
Debt issued	-	-	1,150,728	1,150,728
Debt service principal paid			(29,041)	(29,041)
Debt service interest paid			(3,503)	(3,503)
Transfers In			143,817	143,817
Transfers out	-	-	106,959	106,959
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>218,232</u>	<u>218,232</u>
Net change in fund balances	883	883	(330)	(1,213)
Fund balances - beginning	<u>324,662</u>	<u>324,662</u>	<u>324,662</u>	<u>-</u>
Fund balances - ending	<u>\$ 325,545</u>	<u>\$ 325,545</u>	<u>\$ 324,332</u>	<u>\$ (1,213)</u>

City of Thrall
Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

Total pension liability	2014	2015	2016	2017
1. Service Cost	\$ 7,725	10,724	13,936	15,633
2. Interest (on the Total Pension Liability)	3,871	5,128	6,462	7,501
3. Changes of benefit terms	51,433	4,861	-	-
4. Difference between expected and actual experience	-	1,537	(5,580)	3,137
5. Changes of assumptions	-	3,479	-	-
6. Benefit payments, including refunds of employee contributions	-	-	-	(540)
7. Net change in total pension liability	\$ 63,029	25,729	14,818	25,731
8. Total pension liability - beginning	-	63,029	88,758	103,576
9. Total pension liability - ending	\$ 63,029	88,758	103,576	129,307
Plan fiduciary net position				
1. Contributions - employer	\$ 7,305	9,508	12,090	14,167
2. Contributions - employee	5,835	8,099	8,246	8,882
3. Net investment income	-	19	2,090	7,403
4. Benefit payments, including refunds of employee contributions	-	-	-	(540)
5. Administrative Expense	-	(12)	(23)	(38)
6. Other	-	-	(1)	(3)
7. Net change in plan fiduciary net position	\$ 13,140	17,614	22,402	29,871
8. Plan fiduciary net position - beginning	-	13,140	30,754	53,156
9. Plan fiduciary net position - ending	\$ 13,140	30,754	53,156	83,027
Net pension liability [A.9-B.9]	\$ 49,889	58,004	50,420	46,280
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	20.85%	34.65%	51.32%	64.21%
Covered-employee payroll	\$ 116,695	\$ 161,987	\$ 164,927	177,642
Net pension liability as a percentage of covered employee payroll [C / E]	42.75%	35.81%	30.57%	26.05%

City of Thrall
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2018

	2014	2015	2016	2017
Actually Determined Contribution	\$ 13,140	\$ 17,607	\$ 20,336	\$ 23,049
Contributions in relation to the actuarially determined contribution	-	-	-	-
	13,140	17,607	20,336	23,049
	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	\$ 116,695	\$ 161,987	\$ 164,927	\$ 177,642
Contributions as a percentage of covered employee payroll	11.26%	10.87%	12.33%	12.97%

Notes to Schedule of Contributions

Valuation Date determined 12/31/2017
Notes

Valuation Date:

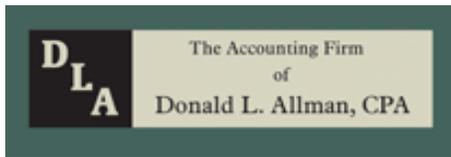
Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
Amortization Method Level Percentage of Payroll, Closed
Remaining Amortization Period 9 Years
Asset Valuation Method 10 Year Smoothed Market 15% Soft Corridor
Inflation 2.5%
Salary Increases 3.50% to 10.50% Including Inflation
Investment Rate of Return 6.75%
Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.



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CERTIFIED PUBLIC ACCOUNTANT

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 Mayor & City Council
City of Thrall, 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 Thrall, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Thrall, Texas' basic financial statements, and have issued our report thereon dated March 15, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 of Thrall, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Donald L. Allman, CPA, PC

Georgetown, TX
March 15, 2019
REVISED AND RESTATED AUGUST 18, 2020

