

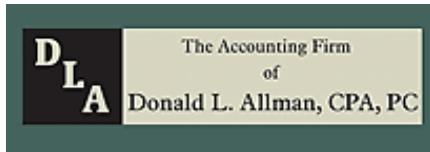
REVISED AND RESTATED

CITY OF THRALL, TEXAS

**Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September, 30, 2019**

**CITY OF THRALL, TEXAS
ANNUAL FINANCIAL REPORT
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Year Ended September 30, 2019**

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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, 2019, 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, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted 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 23, 2020 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 23, 2020

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, 2019. Please read it in conjunction with the city's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$426,123 for the year in comparison to the prior year decrease of \$(341,555).
- The Proprietary Fund reported a net income of \$213,714 before transfers for the fiscal year ended September 30, 2019. The General Fund reported a net income of \$212,409 before transfers for the fiscal year ended September 30, 2019.
- The City's Governmental Funds balance reported a net decrease of \$(99,647) for the fiscal year ended September 30, 2019.

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, 2019:

Government-Wide Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 311,674	\$ 367,402	\$ 302,737	\$ 271,778	\$ 614,411	\$ 639,180
Capital assets	1,518,224	1,409,582	2,462,659	1,882,753	3,980,883	3,292,335
Total assets	<u>1,829,898</u>	<u>1,776,984</u>	<u>2,765,396</u>	<u>2,154,531</u>	<u>4,595,294</u>	<u>3,931,515</u>
Deferred outflows of resources	3,306	(687)	3,308	(685)	6,614	(1,372)
Current liabilities	120,554	79,060	78,931	54,298	199,485	133,358
Long-term liabilities	1,525,321	1,545,416	410,240	238,140	1,935,561	1,783,556
Total liabilities	<u>1,645,875</u>	<u>1,624,476</u>	<u>489,171</u>	<u>292,438</u>	<u>2,135,046</u>	<u>1,916,914</u>
Deferred inflows of resources	37,193	21,094	37,193	21,095	74,386	42,189
Net position:						
Net investment in capital assets	276,354	239,253	2,051,617	1,652,753	2,327,971	1,892,006
Restricted	172,612	200,500	35,568	34,710	208,180	235,210
Unrestricted	<u>(298,830)</u>	<u>(309,026)</u>	<u>155,155</u>	<u>148,163</u>	<u>(143,675)</u>	<u>(160,863)</u>
Total net position	<u>\$ 150,136</u>	<u>\$ 130,727</u>	<u>\$ 2,242,340</u>	<u>\$ 1,835,626</u>	<u>\$ 2,392,476</u>	<u>\$ 1,966,353</u>

Capital assets increased by \$108,642 and added \$179,382 in road improvements construction, park improvements and police radios for governmental activities. Capital assets increased by \$579,906 by adding \$465,653 in improvements and equipment 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 \$20,095 in the General Fund and increased by \$172,100 in the Proprietary Fund.

Government-wide Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2019	2018	2019	2018	2019	2018
Change in net position						
Total revenues	\$ 836,116	\$ 496,522	\$ 862,951	\$ 488,511	\$ 1,699,067	\$ 985,033
Total expenses	623,707	673,715	649,237	652,873	1,272,944	1,326,588
Change before transfers	212,409	(177,193)	213,714	(164,362)	426,123	(341,555)
Transfers	(193,000)	(90,750)	193,000	90,750	-	-
Change in net position	19,409	(267,943)	406,714	(73,612)	426,123	(341,555)
Prior Period Adjustment	-	(3,488)	-	(3,487)	-	(6,975)
Net position - beginning	130,727	402,158	1,835,626	1,912,725	1,966,353	2,314,883
Net position - ending	\$ 150,136	\$ 130,727	\$ 2,242,340	\$ 1,835,626	\$ 2,392,476	\$ 1,966,353

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	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 41,823	\$ 29,890	\$ 602,984	\$ 479,738	\$ 644,807	\$ 509,628
Operating grants and contributions	239,063	6,248	258,596	-	6,248	5,165
Interest income	366	367	277	223	643	590
General revenues:						
Property taxes	261,816	237,335	-	-	261,816	237,335
Sales tax	171,244	158,008	-	-	171,244	158,008
Franchise taxes	39,794	39,561	-	-	39,794	39,561
Other general revenues	75,762	26,196	1,094	8,550	76,856	34,746
Total revenues	\$ 836,116	\$ 496,522	\$ 862,951	\$ 488,511	\$ 1,699,067	\$ 985,033

Water & Sewer revenues increased substantially in fiscal year 2019. 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. General fund revenues increased substantially in fiscal year 2018 as well.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2019	2018	2019	2018	2019	2018
Expenses						
General government	\$ 506,649	\$ 506,113	\$ -	\$ -	\$ 506,649	\$ 506,113
Public safety	56,095	45,516	-	-	56,095	45,516
Municipal court	15,024	11,939	-	-	15,024	11,939
Park	12,526	11,786	-	-	12,526	11,786
Public Works Streets	33,413	98,361				
Water and wastewater	-	-	649,237	652,873	649,237	652,873
Total expenses	\$ 623,707	\$ 673,715	\$ 649,237	\$ 652,873	\$ 1,272,944	\$ 1,326,588

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

Financial Analysis of the City's Funds

The general fund had a very small change overall, due to transferring about the same amount of money as the net position increase to the utility fund. The investment in capital assets increased \$24,482, restricted funds decreased \$27,888, and unrestricted fund balance increased \$10,196, for an overall net gain in net position of \$6,790.

The utility fund reported a change in net position of \$406,714 for the year, compared to \$(73,612) in the previous year. The investment in capital assets increased \$390,656, restricted assets increased \$858, and unrestricted fund balance increased \$6,992.

General Fund Budgetary Highlights

The budgetary comparison statement reflects a significant unfavorable variance on the line for municipal court revenues and a positive variance on the lines for grant income and miscellaneous income. 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.

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 Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land and CNN	\$ 2,971	\$ 2,971	\$ 134,209	\$ 134,209	\$ 137,180	\$ 137,180
Construction in progress	-	-	200,000	-	200,000	-
Distribution and collection systems	-	-	1,912,177	1,733,534	1,912,177	1,733,534
Buildings and improvements	107,752	94,423	611	716	108,363	95,139
Equipment	74,850	62,942	15,662	14,294	90,512	77,236
Infrastructure	1,332,651	1,249,246	-	-	1,332,651	1,249,246
Totals at historical cost	<u>\$ 1,518,224</u>	<u>\$ 1,409,582</u>	<u>\$ 2,262,659</u>	<u>\$ 1,882,753</u>	<u>\$ 3,780,883</u>	<u>\$ 3,292,335</u>

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	
	2019	2018	2019	2018	2019	2018
Revenue bonds	\$ 1,460,000	\$ 1,485,000	\$ 411,042	\$ 230,000	\$ 1,871,042	\$ 1,715,000
Loans payable	99,969	79,601	-	-	99,969	79,601
Capital leases payable	-	-	-	-	-	-
Totals	\$ 1,559,969	\$ 1,564,601	\$ 411,042	\$ 230,000	\$ 1,971,011	\$ 1,794,601

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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City of Thrall, Texas

Statement of Net Position

As of September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (note 2)	\$ 107,875	\$ 216,834	\$ 324,709
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivables	-	50,335	50,335
Property taxes, sales taxes & franchise fees	31,187	-	31,187
Fines receivable	-	-	-
Internal balances	-	-	-
Restricted cash (note 2)	172,612	35,568	208,180
Capital assets (note 5):			
Land and CCN	2,971	134,209	137,180
Construction in progress	-	200,000	200,000
Other capital assets, net of depreciation	1,515,253	2,128,450	3,643,703
Total assets	<u>1,829,898</u>	<u>2,765,396</u>	<u>4,595,294</u>
Deferred Outflows of Resources	3,306	3,308	6,614
LIABILITIES			-
Accounts payable	15,290	6,372	21,662
Accrued liabilities	48,617	15,724	64,341
Customer deposits	-	34,035	34,035
Noncurrent liabilities (note 7):			
Total OPEB Liability	1,288	1,287	2,575
Net Pension Liability	20,711	20,711	41,422
Due within one year	56,647	22,800	79,447
Due in more than one year	1,503,322	388,242	1,891,564
Total liabilities	<u>1,645,875</u>	<u>489,171</u>	<u>2,135,046</u>
Deferred Inflows of Resources	37,193	37,193	74,386
NET POSITION			-
Net investment in capital assets	276,354	2,051,617	2,327,971
Restricted for:			-
Debt service	100,713	26,125	126,838
Sales tax street repairs	49,459	-	49,459
Municipal court	5,053	-	5,053
Police training	2,332	-	2,332
Park project	8,159	-	8,159
Construction	6,896	9,443	16,339
Unrestricted (deficit)	(298,830)	155,155	(143,675)
Total net position	<u>\$ 150,136</u>	<u>\$ 2,242,340</u>	<u>\$ 2,392,476</u>

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

City of Thrall, Texas

Statement of Activities

For the Year Ended September 30, 2019

<u>Functions / Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<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	\$ 506,649	\$ 6,656	\$ -	\$ 239,063	\$ (260,930)	\$ -	\$ (260,930)
Public safety	56,095	-	6,248	-	(49,847)	-	(49,847)
Public Works Streets	33,413				(33,413)		(33,413)
Municipal court & parks	27,550	35,167	-	-	7,617	-	7,617
Total governmental activities	<u>623,707</u>	<u>41,823</u>	<u>6,248</u>	<u>239,063</u>	<u>(336,573)</u>	<u>-</u>	<u>(336,573)</u>
Business-type activities:							
Water and wastewater	649,237	602,984	-	258,596	-	212,343	212,343
Total business-type activities	<u>649,237</u>	<u>602,984</u>	<u>-</u>	<u>258,596</u>	<u>-</u>	<u>212,343</u>	<u>212,343</u>
Total primary government	<u>\$1,272,944</u>	<u>\$ 644,807</u>	<u>\$ 6,248</u>	<u>\$ 497,659</u>	<u>\$ (336,573)</u>	<u>\$ 212,343</u>	<u>\$ (124,230)</u>
General revenues:							
Property taxes					\$ 261,816	\$ -	\$ 261,816
Sales tax					171,244	-	171,244
Franchise taxes					39,794	-	39,794
Investment earnings					366	277	643
Miscellaneous					75,762	1,094	76,856
Transfers					(193,000)	193,000	-
Total general revenues and transfers					<u>355,982</u>	<u>194,371</u>	<u>550,353</u>
Change in net position					19,409	406,714	426,123
Prior Period OPEB Adjustment					-	-	-
Net Position - beginning					<u>130,727</u>	<u>1,835,626</u>	<u>1,966,353</u>
Net position - ending					<u>\$ 150,136</u>	<u>\$ 2,242,340</u>	<u>\$ 2,392,476</u>

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

City of Thrall, Texas

Balance Sheet-Governmental Funds

As of September 30, 2019

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 107,875	\$ -	-	\$ 107,875
Receivables (net, where applicable, of allowances for uncollectibles):	-			
Sales Tax & Franchise Fees	8,105			8,105
Property taxes	23,082	-	-	23,082
Fines receivable	-	-	-	-
Due from other funds	-			-
Restricted cash	-	100,713	71,899	172,612
Total assets	<u>\$ 139,062</u>	<u>\$ 100,713</u>	<u>71,899</u>	<u>\$ 311,674</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	15,290	-	-	15,290
Accrued liabilities	48,617	-	-	48,617
Total liabilities	<u>\$ 63,907</u>			<u>\$ 63,907</u>
Deferred Inflows of Resources				
Deferred property tax revenue	23,082	-	-	23,082
Deferred fine revenue	-	-	-	-
Total deferred inflows of resources	<u>23,082</u>	<u>-</u>	<u>-</u>	<u>23,082</u>
Fund Balances: Nonspendable				
Restricted for: Debt Service	-	100,713	-	100,713
Committed for: Sales tax street repairs	-		49,459	49,459
Committed for: Court Tech & Security	-		5,053	5,053
Committed for: Police training	-		2,332	2,332
Committed for: Park project	-		8,159	8,159
Committed for Construction	-		6,896	6,896
Unassigned	52,073		-	52,073
Total fund balances	<u>52,073</u>	<u>100,713</u>	<u>71,899</u>	<u>224,685</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 139,062</u>	<u>\$ 100,713</u>	<u>71,899</u>	<u>\$ 311,674</u>

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

City of Thrall, Texas

*Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position*

As of September 30, 2019

Total Fund Balance - Governmental Funds:	\$ 224,685
Deferred Inflows are not included in governmental funds	(37,193)
Net Pension Liability is not included in governmental funds	(20,711)
Net Opeb liability is not included in governmental funds	(1,288)
Amounts reported for governmental activities in the Statement of Net Position are different because:	-
Deferred Outflows not included in governmental funds	3,306
Differences in property tax revenues and deferred revenues the current period and therefore are not reported in the funds.	23,082
Long-term liabilities are not due and payable in the current period and therefore have not been included in the fund financial statements.	(1,559,969)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (See Note 6)	<u>1,518,224</u>
Net Position of Governmental Activities	<u>\$ 150,136</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, 2019

Revised and Restated for transfer from general fund to debt service

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
REVENUES				
Property taxes, penalties, and interest	\$ 261,816			\$ 261,816
Sales tax	171,244		-	171,244
Franchise taxes	39,794			39,794
Municipal court fines	35,167			35,167
Grant income	239,063			239,063
Miscellaneous	53,098		-	53,098
Investment earnings	366		-	366
Total revenues	<u>800,548</u>	<u>-</u>	<u>-</u>	<u>800,548</u>
EXPENDITURES				
Current:				
General government	433,004		-	433,004
Public safety	35,399		-	35,399
Municipal court & Parks	18,473		-	18,473
Public Works Streets	-			-
Capital Outlay	179,382			179,382
Total expenditures	<u>666,258</u>	<u>-</u>	<u>-</u>	<u>666,258</u>
Excess (deficiency) of revenues over expenditures	134,290	-	-	134,290
OTHER FINANCING SOURCES (USES)				
Loan Proceeds received	65,000			65,000
Interest expense paid		(58,924)		(58,924)
Debt principal paid	-	(47,013)		(47,013)
Transfers out	(293,713)		(22,664)	(316,377)
Transfers in	22,664	100,713	-	123,377
Total other financing sources (uses)	<u>(206,049)</u>	<u>(5,224)</u>	<u>(22,664)</u>	<u>(233,937)</u>
Net change in fund balances	(71,759)	(5,224)	(22,664)	(99,647)
Fund balances - beginning	<u>123,832</u>	<u>105,937</u>	<u>94,563</u>	<u>324,332</u>
Fund balances - ending	<u>\$ 52,073</u>	<u>\$ 100,713</u>	<u>71,899</u>	<u>\$ 224,685</u>

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, 2019

Net change in fund balances - total governmental funds	\$	(99,647)
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.		179,382
Subtract depreciation expense.		(70,740)
OPEB expense not included in governmental funds		(1,047)
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.		31,187
Subtract deferred property tax revenues at the beginning of the year.		(11,023)
Fine revenues:		
Add noncurrent receivables at the end of the year		2,918
Subcontract noncurrent receivables at the beginning of the year		-
Transfers outside of Governmental Funds not included		-
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.		(65,000)
Add back principal payments on long-term debt.		75,460
Total Pension Expense is not included in Governmental Funds		(5,231)
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.		(16,850)
Compensated absences:		
Subtract noncurrent liability at the end of the year.		-
Add noncurrent liability at the beginning of the year.		-
Change in net position of governmental activities.	\$	<u>19,409</u>

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, 2019

	Business-type Activities Enterprise Funds
	<u> </u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 216,834
Receivables (net, where applicable, of allowances for uncollectibles):	
Accounts receivable	50,335
Total current assets	<u>\$ 267,169</u>
Noncurrent assets:	
Restricted cash	35,568
Capital assets:	
Land and CCN	134,209
Other capital assets, net of depreciation	2,328,450
Total noncurrent assets	<u>2,498,227</u>
Total assets	<u>2,765,396</u>
Deferred Outflows of Resources	3,308
LIABILITIES	
Current liabilities	
Accounts payable	6,372
Accrued liabilities	14,656
Due to other funds	-
Customer deposits	34,035
Long-term debt	22,800
Total current liabilities	<u>77,863</u>
Noncurrent liabilities:	
Net Pension Liability	20,711
Total OPEB Liability	1,287
Accrued vacation	1,068
Long-term debt	388,242
Total noncurrent liabilities	<u>411,308</u>
Total liabilities	<u>489,171</u>
Deferred Inflows of Resources	37,193
NET POSITION	
Net investment in capital assets	2,051,617
Restricted for debt service	35,568
Unrestricted (deficit)	155,155
Total net position	<u>\$ 2,242,340</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*

For the Year Ended September 30, 2019

	Business-type Activities Enterprise Funds
	<u> </u>
OPERATING REVENUES	
Charges for services (pledged for revenue debt)	\$ 602,984
Miscellaneous	259,690
Total operating revenues	<u>862,674</u>
OPERATING EXPENSES	
Water purchased	131,203
Salaries and benefits	99,891
Professional fees	500
Office expense	4,164
Utilities	12,102
Repairs and maintenance	32,368
Miscellaneous	269,807
Total Pension & OPEB Expense	6,277
Depreciation	81,050
Total operating expenses	<u>637,362</u>
Operating income (loss)	<u>225,312</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	277
Interest expense	(11,875)
Total nonoperating revenues (expenses)	<u>(11,598)</u>
Net income (loss) before contributions and transfers	213,714
Capital contributions - grants	-
Capital contributions - recovery fees	-
Transfers in	193,000
Change in net position	406,714
Prior Period OPEB Adjustment	-
Net position - beginning	<u>1,835,626</u>
Net position - ending	<u>\$ 2,242,340</u>

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, 2019

	<u>Business-type Activities Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 587,025
Payments to suppliers	(392,592)
Payments to employees	(94,957)
Net cash provided (used) by operating activities	<u>99,476</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>193,000</u>
Net cash provided (used) by noncapital financing activities	<u>193,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets acquired	(265,653)
Bond proceeds received	214,775
Interest payments on outstanding debt	(11,875)
Principal payments on outstanding debt	(215,000)
Net cash provided (used) by capital and related financing activities	<u>(277,753)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment revenue received	<u>277</u>
Net cash provided (used) by investing activities	<u>277</u>
Net increase (decrease) in cash and cash equivalents	15,000
Balances - beginning of the year	<u>237,402</u>
Balances - end of the year	<u>\$ 252,402</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, 2019

	<u>Business-type Activities Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 225,312
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	81,050
Changes in assets and liabilities:	
Increase in Accounts receivable	(15,959)
Increase in Accounts payable	2,177
Increase in Accrued liabilities	14,656
Decrease in Net Pension Liability	(5,829)
Decrease in Customer deposits	-
Total Pension Expense is a non cash expense	6,277
Increase in Accrued vacation	-
Net cash provided (used) by operating activities	<u>\$ 307,684</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 \$532,889 at year end and the bank balance was \$532,889. Of the bank balance, \$250,000 was insured by federal depository insurance and the remaining \$282,889 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 Receivables	Allowance for Uncollectibles	Net Receivables
	<u> </u>	<u> </u>	<u> </u>
General Fund			
Accounts receivable	\$ -	\$ -	\$ -
Property taxes receivable	23,503	(2,496)	\$ 21,007
Sales tax receivable	5,631		5,631
Fines & Franchise fees receivable	4,549	-	\$ 4,549
Utility System Fund			
Utility accounts receivable	50,640	(305)	50,335

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, 2018 levy was based upon 100 percent of the assessed market value of \$43,800,943. 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, 2018 levy was \$.597740 for a levy of \$261,816.

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	56,383	-	229,085
Equipment & Vehicles	320,115	38,209	-	358,324
Infrastructure	1,438,539	84,790	-	1,523,329
Total other capital assets at historical cost	1,931,356	179,382	-	2,110,738
Less accumulated depreciation for:				
Buildings and improvements	(78,279)	(43,054)	-	(121,333)
Equipment & Vehicles	(257,173)	(26,301)	-	(283,474)
Infrastructure	(189,293)	(1,385)	-	(190,678)
Total accumulated depreciation	(524,745)	(70,740)	-	(595,485)
Other capital assets, net	1,406,611	108,642	-	1,515,253
Governmental activities capital assets, net	\$ 1,409,582	\$ 108,642	\$ -	\$ 1,518,224

Depreciation expense for governmental activities was charged as follows:

General government	\$ 7,554
Public safety	20,696
Public Works Streets	33,413
Parks	9,077
Total governmental functions	\$ 70,740

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	-	200,000	-	200,000
Total undepreciated assets	134,209	200,000	-	334,209
Other capital assets:				
Distribution and collection systems	3,394,337	257,057	-	3,651,394
Buildings and improvements	4,203	-	-	4,203
Equipment	145,355	8,596	-	153,951
Total other capital assets at historical cost	3,543,895	265,653	-	3,809,548
Less accumulated depreciation for:				
Distribution and collection systems	(1,660,803)	(78,414)	-	(1,739,217)
Buildings and improvements	(3,487)	(105)	-	(3,592)
Equipment	(135,758)	(2,531)	-	(138,289)
Total accumulated depreciation	(1,800,048)	(81,050)	-	(1,881,098)
Other capital assets, net	1,743,847	184,603	-	1,928,450
Business-type activities capital assets, net	\$ 1,878,056	\$384,603	\$ -	\$ 2,262,659

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, 2019

7 LONG-TERM DEBT

Long-term debt at September 30, 2019, 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.

\$ 5,208

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.

-

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.

8,908

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%.

1,460,000

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

215,000

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

30,811

Loan payable to Frontier Bank for Park Improvements, monthly installments of \$1202.65, with an interest rate of 4.1%, monthly installments beginning December 15, for a term of 60 months.

55,042

\$204,250 Series 2019 revenue bonds due in annual installments of \$15,000 to \$25,000 through October 1, 2019; interest at 5.00 percent

196,042

Accrued vacation payable out of the general fund

4,359

Accrued vacation payable out of the utility system fund

1,068

City of Thrall, Texas

Notes to the Financial Statements (Continued)

September 30, 2019

7 LONG-TERM DEBT (Continued)

The following is a summary of long-term debt activity for September 30, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Loans and leases payable					
Loans payable	\$ 79,601	\$ 65,000	\$ (44,632)	\$ 99,969	\$ 31,647
General Obligation Bonds	1,485,000	-	(25,000)	1,460,000	25,000
Other liabilities					
Net Pension Liability	23,140	-	(2,428)	20,712	
Net OPEB Liability	4,688	-	(3,400)	1,288	
Accrued vacation	4,359	-	-	4,359	-
Governmental activities long-term liabilities	<u>\$ 1,596,788</u>	<u>\$ 65,000</u>	<u>\$ (75,460)</u>	<u>\$ 1,586,328</u>	<u>\$ 56,647</u>
Business-type activities					
Bonds and leases payable					
Revenue bonds	230,000	204,250	23,208	411,042	22,800
Loans	-	-	-	-	-
	<u>\$ 230,000</u>	<u>\$ -</u>	<u>\$ 23,208</u>	<u>\$ 411,042</u>	<u>\$ 22,800</u>
Other liabilities:					
Net Pension Liability	23,140	-	(2,429)	20,711	
Net OPEB Liability	4,687	-	(3,400)	1,287	
Accrued vacation	1,068	-	-	1,068	-
Business-type activities long-term liabilities	<u>\$ 258,895</u>	<u>\$ -</u>	<u>\$ 17,379</u>	<u>\$ 434,108</u>	<u>\$ 22,800</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 <u>September 30</u>	Governmental Activities		Business-Type Activities	
	Loans		Bonds and Loans	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	56,647	59,351	22,800	20,143
2021	48,748	57,464	22,983	19,034
2022	47,921	55,770	28,169	17,783
2023	42,057	54,197	28,360	16,407
2024	29,596	52,963	28,556	15,014
2025-2027	85,000	153,975	101,887	47,711
2028-2032	160,000	234,600	99,169	25,646
2033-2037	195,000	198,900	55,193	7,318
2038-2042	240,000	155,600	23,925	-
2043-2047	295,000	102,500	-	-
2048-2052	360,000	37,400	-	-
	<u>\$1,559,969</u>	<u>\$1,162,720</u>	<u>\$ 411,042</u>	<u>\$ 169,056</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	4
Active employees	<u>4</u>
Total	8

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 2019 and 2018 respectively. The city's contributions to TMRS for the year ended September 30, 2019 were \$14,640, 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, 2018, 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, 2018 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, 2018, 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, 2019**

A. Total pension liability		
1. Service Cost	\$	16,457
2. Interest (on the Total Pension Liability)		9,284
3. Changes of benefit terms		-
4. Difference between expected and actual experience		(9,338)
5. Changes of assumptions		-
6. Benefit payments, including refunds of employee contributions		-
7. Net change in total pension liability	\$	16,403
8. Total pension liability - beginning		129,307
9. Total pension liability - ending	\$	145,710
B. Plan fiduciary net position		
1. Contributions - employer	\$	14,640
2. Contributions - employee		9,175
3. Net investment income		(2,504)
4. Benefit payments, including refunds of employee contributions		-
5. Administrative Expense		(48)
6. Other		(3)
7. Net change in plan fiduciary net position	\$	21,260
8. Plan fiduciary net position - beginning		83,027
9. Plan fiduciary net position - ending	\$	104,287
C. Net pension liability [A.9-B.9]	\$	41,423
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]		71.57%
E. Covered-employee payroll	\$	183,464
F. Net pension liability as a percentage of covered employee payroll [C / E]		22.58%

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	\$61,391	\$41,423	\$24,987

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, 2019**

1. Total Service Cost	\$ 16,457
2. Interest on the Total Pension Liability	9,284
3. Current Period Benefit Changes	-
4. Employee Contributions (Reduction of Expense)	(9,173)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(5,604)
6. Administrative Expense	48
7. Other Changes in Fiduciary Net Position	3
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(2,147)
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	1,622
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	557
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	(586)
12. Total Pension Expense	<u>\$ 10,461</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, 2019**

	<u>Recognition Period (or amortization yrs)</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>2018 Recognized in current pension expense</u>	<u>Deferred (Inflow) Outflow in future expense</u>
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	4.3500	\$ (9,338)	\$ (2,147)	\$ (7,191)
Difference in assumption changes [actuarial (gains) or losses]	4.3500	\$ -	\$ -	\$ -
			<u>\$ (2,147)</u>	<u>\$ (7,191)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings	5.0000	\$ 8,108	\$ 1,622	\$ 6,486
on pension plan investments [actuarial (gains) or losses]			<u>\$ 1,622</u>	<u>\$ 6,486</u>
<u>Total:</u>				<u>\$ (705)</u>

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

	<u>Net deferred outflows (inflows) of resources</u>
2019	\$ (554)
2020	(733)
2021	(739)
2022	798
2023	(123)
Thereafter	<u>(500)</u>
Total	\$ (1,851)

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
2015	N/A	N/A	100%
2016	N/A	N/A	100%
2017	0.00%	0.00%	100%
2018	0.00%	(city to provide)	(city to provide)
2019	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, 2019**

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)
	<u>Total OPEB Liability</u>
Balance at 12/31/17	\$ 9,375
Changes for the year	
Service Cost	1,431
Interest on Total OPEB liability	334
Changes of benefit terms	0
Differences between expected and actual experience	1,868
Changes in assumption or other inputs	(1,058)
Benefit payments	<u>0</u>
Net changes	2,575
Total OPEB Liability – end of year	\$11,950
 Total OPEB Liability as a Percentage of Covered Payroll	 6.51%

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	\$14,835	\$11,950	\$9,805

**CITY OF THRALL
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2019**

1. Total Service Cost	1,431
2. Interest on the Total OPEB Liability	334
3. Changes in Benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	
6. Difference between expected and actual experience	368
7. Changes in assumptions or other inputs	<u>(40)</u>
8 Total OPEB Expense	2,093

**CITY OF THRALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER, 30, 2019**

NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN

			2018 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	1,868	368	1,500
Difference in assumptions [actuarial (gains) or losses]	5.0800	(1,058)	(208)	(850)
			160	650
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	-	-	-
			-	-
<u>Total:</u>				650

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

		Net deferred outflows (inflows) of resources
2019	328	328
2020	328	328
2021	328	328
2022	172	172
2023	10	10
thereafter	-	-
	1,166	1,166

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 23, 2020, 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, 2019.

REQUIRED SUPPLEMENTAL INFORMATION

City of Thrall, Texas

*Budgetary Comparison Schedule
General Fund*

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Property taxes, penalties, and interest	270,242	270,242	261,816	(8,426)
Sales tax	148,896	148,896	171,244	22,348
Franchise taxes	39,576	39,576	39,794	218
grant income	-	-	239,063	239,063
Municipal court fines	86,400	86,400	35,167	(51,233)
Lease income	4,585	4,585	-	(4,585)
Miscellaneous	2,000	2,000	75,762	73,762
Investment earnings	-	-	366	366
Total revenues	<u>551,699</u>	<u>551,699</u>	<u>823,212</u>	<u>271,513</u>
EXPENDITURES				
Current:				
General government	417,566	417,566	533,717	(116,151)
Public safety	127,712	127,712	35,399	92,313
Public Works Streets	-	-	-	-
Municipal court	-	-	18,473	(18,473)
Total expenditures	<u>545,278</u>	<u>545,278</u>	<u>587,589</u>	<u>(42,311)</u>
Excess (deficiency) of revenues over expenditures	6,421	6,421	235,623	229,202
OTHER FINANCING SOURCES (USES)				
Capital Outlay			(179,382)	(179,382)
Debt issued	-	-	65,000	65,000
Debt service principal paid			(47,013)	(47,013)
Debt service interest paid			(58,924)	(58,924)
Transfers In			-	-
Transfers out	-	-	(114,951)	(114,951)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(335,270)</u>	<u>(335,270)</u>
Net change in fund balances	6,421	6,421	(99,647)	(106,068)
Fund balances - beginning	<u>324,332</u>	<u>324,332</u>	<u>324,332</u>	<u>-</u>
Fund balances - ending	<u>\$ 330,753</u>	<u>\$ 330,753</u>	<u>\$ 224,685</u>	<u>\$ (106,068)</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	2018
1. Service Cost	\$ 7,725	10,724	13,936	15,633	16,457
2. Interest (on the Total Pension Liability)	3,871	5,128	6,462	7,501	9,284
3. Changes of benefit terms	51,433	4,861	-	-	-
4. Difference between expected and actual experience	-	1,537	(5,580)	3,137	(9,338)
5. Changes of assumptions	-	3,479	-	-	-
6. Benefit payments, including refunds of employee contributions	-	-	-	(540)	-
7. Net change in total pension liability	<u>\$ 63,029</u>	<u>25,729</u>	<u>14,818</u>	<u>25,731</u>	<u>16,403</u>
8. Total pension liability - beginning	-	63,029	88,758	103,576	129,307
9. Total pension liability - ending	<u><u>\$ 63,029</u></u>	<u><u>88,758</u></u>	<u><u>103,576</u></u>	<u><u>129,307</u></u>	<u><u>145,710</u></u>
 Plan fiduciary net position					
1. Contributions - employer	\$ 7,305	9,508	12,090	14,167	14,640
2. Contributions - employee	5,835	8,099	8,246	8,882	9,175
3. Net investment income	-	19	2,090	7,403	(2,504)
4. Benefit payments, including refunds of employee contributions	-	-	-	(540)	-
5. Administrative Expense	-	(12)	(23)	(38)	(48)
6. Other	-	-	(1)	(3)	(3)
7. Net change in plan fiduciary net position	<u>\$ 13,140</u>	<u>17,614</u>	<u>22,402</u>	<u>29,871</u>	<u>21,260</u>
8. Plan fiduciary net position - beginning	-	13,140	30,754	53,156	83,027
9. Plan fiduciary net position - ending	<u><u>\$ 13,140</u></u>	<u><u>30,754</u></u>	<u><u>53,156</u></u>	<u><u>83,027</u></u>	<u><u>104,287</u></u>
 Net pension liability [A.9-B.9]	 <u><u>\$ 49,889</u></u>	 <u><u>58,004</u></u>	 <u><u>50,420</u></u>	 <u><u>46,280</u></u>	 <u><u>41,423</u></u>
 Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	 20.85%	 34.65%	 51.32%	 64.21%	 71.57%
 Covered-employee payroll	 \$ 116,695	 \$ 161,987	 \$ 164,927	 177,642	 183,464
 Net pension liability as a percentage of covered employee payroll [C / E]	 42.75%	 35.81%	 30.57%	 26.05%	 22.58%

City of Thrall
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2019

	2014	2015	2016	2017	2018
Actually Determined Contribution	\$ 13,140	\$ 17,607	\$ 20,336	\$ 23,049	23,813
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
	13,140	17,607	20,336	23,049	23,813
	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 116,695	\$161,987	\$164,927	\$177,642	183,464
Contributions as a percentage of covered employee payroll	11.26%	10.87%	12.33%	12.97%	22.58%

Notes to Schedule of Contributions

Valuation Date determined 12/31/2018
Notes

Valuation Date:

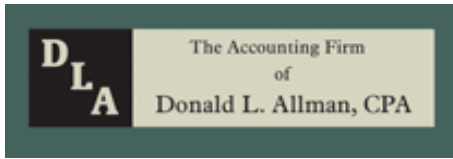
Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

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, 2019 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 23, 2020.

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 23, 2020

