

CITY OF TULIA, TEXAS

Annual Financial Report

**For the Year Ended
September 30, 2022**

**CITY OF TULIA, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2022**

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TULIA
Texas

INTRODUCTORY SECTION

CITY OF TULIA, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2022

Dusty George	Mayor
Greg Needham	Council Member – District 1
Jay Smith	Council Member – District 2
Jed Owens	Council Member – District 3
Israel “Bibo” Ramirez	Mayor Pro-Tem / Council Member – District 4
BJ Potts	City Manager
Charla Nolen	Director of Finance

FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Tulia, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Tulia, Texas's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Tulia, Texas, as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Tulia, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tulia, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted

in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Tulia, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tulia, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in net pension liability and related ratios, the schedule of employer contributions, and the schedule of changes in total OPEB liability and related ratios on pages 46 – 51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tulia, Texas's basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023, on our consideration of the City of Tulia, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tulia, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tulia, Texas's internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC
Amarillo, Texas
March 6, 2023

BASIC FINANCIAL STATEMENTS

CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 1,554,348	\$ 3,011,426	\$ 4,565,774	\$ 397,011
Restricted cash for customer deposits	-	238,498	238,498	-
Restricted cash for construction	-	399,322	399,322	-
Restricted cash for debt service	-	398,345	398,345	-
Receivables, net	117,521	380,624	498,145	434
Internal balances	(733,535)	733,535	-	-
Due from primary government	-	-	-	36,170
Due from other governments	76,217	552,697	628,914	28,104
Prepaid items	54,751	-	54,751	-
Loans receivable - current portion	-	25,107	25,107	29,313
Loans receivable	-	195,765	195,765	201,015
Net pension asset	641,423	325,255	966,678	-
Capital assets not being depreciated:				
Land	189,298	234,118	423,416	67,025
Construction in progress	25,673	661,778	687,451	-
Capital assets				
Buildings	324,075	328,672	652,747	-
Leased buildings	177,768	-	177,768	-
Improvements other than buildings	842,720	1,771,592	2,614,312	-
Furniture and equipment	2,670,347	3,418,777	6,089,124	-
Leased equipment	78,807	-	78,807	-
Infrastructure	899,332	13,294,399	14,193,731	-
Water rights	-	3,310,000	3,310,000	-
Less: Accumulated depreciation	(4,211,689)	(16,430,544)	(20,642,233)	-
Total assets	2,707,056	12,849,366	15,556,422	759,072
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding bonds	-	23,639	23,639	-
Pension contributions	66,721	33,833	100,554	-
Pension assumption changes	504	255	759	-
OPEB contributions	1,604	813	2,417	-
OPEB assumption changes	17,407	8,827	26,234	-
Total deferred outflows of resources	86,236	67,367	153,603	-
				Continued

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

CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Continuation	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
LIABILITIES				
Accounts payable	\$ 54,687	\$ 244,605	\$ 299,292	\$ 21
Accrued interest	-	20,882	20,882	-
Due to component unit	36,170	-	36,170	-
Customer deposits	-	238,498	238,498	-
Noncurrent liabilities:				
Due within one year	28,050	683,087	711,137	-
Due in more than one year	188,904	3,448,649	3,637,553	-
Landfill closure and post-closure costs	-	416,645	416,645	-
Other postemployment benefit liability	109,902	55,730	165,632	-
Total liabilities	417,713	5,108,096	5,525,809	21
DEFERRED INFLOWS OF RESOURCES				
Pension economic/demographic gains	65,233	33,079	98,312	-
Pension excess earnings	455,758	231,107	686,865	-
OPEB economic/demographic gains	6,958	3,528	10,486	-
OPEB assumption changes	1,443	732	2,175	-
Total deferred inflows of resources	529,392	268,446	797,838	-
NET POSITION				
Net investment in capital assets	814,910	3,005,397	3,820,307	67,025
Restricted:				
By enabling legislation for special projects	10	-	10	-
Debt service	-	398,345	398,345	-
Unrestricted (deficit)	1,031,267	4,136,449	5,167,716	692,026
Total net position	\$ 1,846,187	\$ 7,540,191	\$ 9,386,378	\$ 759,051

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

CITY OF TULIA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Administration	\$ 366,271	\$ 9,277	\$ 601,376	\$ -
Municipal court	31,672	30,163	-	-
Building maintenance	30,084	-	-	-
Financial administration	166,925	-	-	-
Legislative	109,256	-	-	-
Fire	99,306	-	30,000	-
Police	1,138,126	89,598	97,955	-
Streets	275,468	-	-	-
Parks	171,171	7,586	-	185,911
Total governmental activities	2,391,391	136,624	729,331	185,911
Business-Type Activities:				
Water and sewer utility	1,369,442	1,997,636	-	1,240,000
Electric utility	2,970,428	4,023,120	-	-
Sanitation utility	439,242	751,758	-	14,500
Revolving loan	-	-	73,176	-
Total business-type activities	4,779,112	6,772,514	-	1,254,500
Total primary government	\$ 7,170,503	\$ 6,909,138	\$ 729,331	\$ 1,440,411
Component Unit:				
Economic Development Corporation	\$ 266,454	\$ -	\$ -	\$ 186,331

General revenues:

Property taxes
Sales and use taxes
Franchise taxes
Hotel/Motel taxes
Unrestricted investment earnings
Miscellaneous
Transfers

Total general revenues

Change in net position

Net position - beginning

Prior period adjustment

Net position - beginning as restated

Net position - ending

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	
\$ 244,382	\$ -	\$ 244,382	\$ -	
(1,509)	-	(1,509)	-	
(30,084)	-	(30,084)	-	
(166,925)	-	(166,925)	-	
(109,256)	-	(109,256)	-	
(69,306)	-	(69,306)	-	
(950,573)	-	(950,573)	-	
(275,468)	-	(275,468)	-	
22,326	-	22,326	-	
(1,339,525)	-	(1,339,525)	-	
-	1,868,194	1,868,194	-	
-	1,052,692	1,052,692	-	
-	327,016	327,016	-	
-	73,176	73,176	-	
-	3,321,078	3,321,078	-	
(1,339,525)	3,321,078	1,981,553	-	
-	-	-	(80,123)	
487,706	-	487,706	-	
293,147	-	293,147	146,569	
121,940	-	121,940	-	
12,170	-	12,170	-	
11,973	64,888	76,861	8,944	
41,086	302,580	343,666	-	
1,136,511	(1,136,511)	-	-	
2,104,533	(769,043)	1,335,490	155,513	
765,008	2,552,035	3,317,043	75,390	
1,128,015	4,988,156	6,116,171	683,661	
(46,836)	-	(46,836)	-	
1,081,179	4,988,156	6,069,335	683,661	
\$ 1,846,187	\$ 7,540,191	\$ 9,386,378	\$ 759,051	

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

**CITY OF TULIA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	General	Hotel Tax	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 287,965	\$ 2,312	\$ 290,277
Accounts receivables, net	53,788	1,263	55,051
Taxes receivable, net	34,849	-	34,849
Due from other governments	76,217	-	76,217
Prepaid expenses	27,923	-	27,923
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 480,742</u>	<u>\$ 3,575</u>	<u>\$ 484,317</u>
LIABILITIES			
Accounts payable	\$ 34,674	\$ 3,565	\$ 38,239
Due to component unit	36,170	-	36,170
Payable to other governments	5,271	-	5,271
Accrued expenses	609	-	609
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>76,724</u>	<u>3,565</u>	<u>80,289</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	25,226	-	25,226
Unavailable revenue - other receivables	17,121	-	17,121
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>42,347</u>	<u>-</u>	<u>42,347</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	27,923	-	27,923
Restricted:			
Tourism	-	10	10
Unassigned	333,748	-	333,748
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>361,671</u>	<u>10</u>	<u>361,681</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 480,742</u>	<u>\$ 3,575</u>	<u>\$ 484,317</u>

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

CITY OF TULIA, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

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

Total fund balance - governmental funds	\$ 361,681
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	996,331
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements.	42,347
The net pension asset is not a current financial resource and therefore, is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position.	641,423
Pension and Other postemployment benefit losses, deficit earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.	
Pension assumption changes	504
Other postemployment benefit assumption changes	17,407
Pension and Other postemployment benefit contributions paid after the measurement date, December 31, 2021, and before September 30, 2022 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.	
Pension contributions	66,721
Other postemployment benefit contributions	1,604
Pension and Other postemployment benefit gains, excess earnings, and assumption changes are shown as deferred inflows of resources in the government-wide financial statements.	
Pension economic/demographic gains	(65,233)
Pension excess earnings	(455,758)
Other postemployment benefit economic/demographic gains	(6,958)
Other postemployment benefit assumption changes	(1,443)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
Capital leases	(181,422)
Compensated absences	(35,532)
Other postemployment benefit liability	(109,902)
The assets and liabilities of internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (netted for capital assets reported above and the portion allocated to business-type activities)	574,417
Net position - governmental activities	\$ <u><u>1,846,187</u></u>

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

CITY OF TULIA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>	<u>Hotel Tax</u>	<u>Total</u>
REVENUES			
Taxes:			
Property	\$ 491,736	\$ -	\$ 491,736
Sales	293,147	-	293,147
Franchise	121,940	-	121,940
Hotel/Motel	-	12,170	12,170
Licenses and fees	20,348	-	20,348
Fines and forfeitures	125,602	-	125,602
Intergovernmental	137,455	-	137,455
Investment earnings	1,471	24	1,495
Miscellaneous	226,997	-	226,997
	<u>1,418,696</u>	<u>12,194</u>	<u>1,430,890</u>
Total revenues			
	<u>1,418,696</u>	<u>12,194</u>	<u>1,430,890</u>
EXPENDITURES			
Current:			
Administration	380,739	-	380,739
Municipal court	31,661	-	31,661
Building maintenance	30,073	-	30,073
Financial administration	192,293	-	192,293
Legislative	109,256	-	109,256
Fire	100,473	-	100,473
Police	1,192,435	-	1,192,435
Streets	297,437	-	297,437
Recreation and culture	-	12,194	12,194
Parks	163,981	-	163,981
Debt Service:			
Principal	14,913	-	14,913
Interest and other charges	3,112	-	3,112
Capital Outlay	359,377	-	359,377
	<u>2,875,750</u>	<u>12,194</u>	<u>2,887,944</u>
Total expenditures			
	<u>2,875,750</u>	<u>12,194</u>	<u>2,887,944</u>
EXCESS OF REVENUES			
OVER (UNDER) EXPENDITURES	<u>(1,457,054)</u>	<u>-</u>	<u>(1,457,054)</u>

Continued

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

CITY OF TULIA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Continuation	General	Hotel Tax	Total
OTHER FINANCING SOURCES (USES)			
Initiation of capital leases	\$ 75,299	\$ -	\$ 75,299
Transfers in	1,448,493	-	1,448,493
Transfers out	(49,324)	-	(49,324)
Total other financing sources (uses)	1,474,468	-	1,474,468
NET CHANGE IN FUND BALANCES	17,414	-	17,414
FUND BALANCES - BEGINNING	344,257	10	344,267
FUND BALANCES - ENDING	\$ 361,671	\$ 10	\$ 361,681

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



TULIA
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CITY OF TULIA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Net change in fund balances - total governmental funds:	\$ 17,414
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Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$359,377, exceeded depreciation, \$146,508, in the current period.	212,869
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Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.	(13,356)
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In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.

Debt issued or incurred:	
Initiation of capital lease	(75,299)

Principal repayments:	
Capital leases	14,913

Changes in pension and other postemployment benefits related assets, liabilities, outflows, and inflows reported in the government-wide Statement of Activities are not reported in the governmental funds as revenues or expenditures.	215,520
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Accrued compensated absences are not reported as an expenditure in the governmental funds. This is the change in the accrual amounts for the year reported in the government-wide Statement of Activities.	3,582
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Internal service funds are used by management to charge the costs of maintenance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	389,365
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Change in net position - governmental activities	\$ 765,008
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The notes to the financial statements are an integral part of this statement.

CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan	Total Enterprise Funds	Internal Service
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 441,401	\$ 1,359,486	\$ 583,100	\$ 627,439	\$ 3,011,426	\$ 1,264,071
Restricted cash - customer deposits	72,148	166,350	-	-	238,498	-
Restricted cash - construction	155,193	244,129	-	-	399,322	-
Restricted cash - debt service	177,484	220,861	-	-	398,345	-
Receivables, net	173,795	135,066	69,685	2,078	380,624	27,621
Intergovernmental receivable	552,697	-	-	-	552,697	-
Prepaid expenses	-	-	-	-	-	26,828
Notes receivable - current portion	-	-	-	25,107	25,107	-
Total current assets	1,572,718	2,125,892	652,785	654,624	5,006,019	1,318,520
Noncurrent assets:						
Notes receivable	-	-	-	195,765	195,765	-
Net pension asset	136,832	135,149	53,274	-	325,255	-
Capital assets:						
Land	152,354	67,616	14,148	-	234,118	-
Construction in progress	13,200	638,567	10,011	-	661,778	-
Buildings	321,205	4,251	3,216	-	328,672	-
Improvements other than buildings	1,323,672	447,920	-	-	1,771,592	-
Furniture and equipment	1,099,994	1,156,551	1,162,232	-	3,418,777	-
Infrastructure	8,168,684	5,125,715	-	-	13,294,399	-
Water rights	3,310,000	-	-	-	3,310,000	-
Less accumulated depreciation	(10,453,312)	(4,991,261)	(985,971)	-	(16,430,544)	-
Total noncurrent assets	4,072,629	2,584,508	256,910	195,765	7,109,812	-
Total assets	5,645,347	4,710,400	909,695	850,389	12,115,831	1,318,520
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding bonds	-	23,639	-	-	23,639	-
Pension contributions	14,233	14,058	5,542	-	33,833	-
Pension assumption changes	107	106	42	-	255	-
Other postemployment benefit contributions	342	338	133	-	813	-
Other postemployment benefit assumption changes	3,713	3,668	1,446	-	8,827	-
Total deferred outflows of resources	18,395	41,809	7,163	-	67,367	-

Continued

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

CITY OF TULIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Business-Type Activities - Enterprise Funds					Governmental
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan	Total Enterprise Funds	Internal Service
Continuation						
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 34,964	\$ 206,316	\$ 3,325	\$ -	\$ 244,605	\$ 10,568
Accrued interest	14,282	1,488	5,112	-	20,882	-
Customer deposits	72,148	166,350	-	-	238,498	-
Compensated absences - current	1,000	1,000	-	-	2,000	-
Capital leases payable - current	-	-	26,087	-	26,087	-
Long-term debt obligations - current	445,000	210,000	-	-	655,000	-
Total current liabilities	567,394	585,154	34,524	-	1,187,072	10,568
Noncurrent liabilities:						
Accrued compensated absences	9,768	12,465	3,233	-	25,466	-
Capital leases payable	-	-	28,631	-	28,631	-
Long-term debt obligations	3,171,420	223,132	-	-	3,394,552	-
Landfill closure and post-closure costs	-	-	416,645	-	416,645	-
Other postemployment benefit liability	23,445	23,157	9,128	-	55,730	-
Total noncurrent liabilities	3,204,633	258,754	457,637	-	3,921,024	-
Total liabilities	3,772,027	843,908	492,161	-	5,108,096	10,568
DEFERRED INFLOWS OF RESOURCES						
Pension economic/demographic gains	13,916	13,745	5,418	-	33,079	-
Pension excess earnings	97,225	96,029	37,853	-	231,107	-
Other postemployment benefit economic/demographic gains	1,484	1,466	578	-	3,528	-
Other postemployment benefit assumption changes	308	304	120	-	732	-
Total deferred outflows of resources	112,933	111,544	43,969	-	268,446	-
NET POSITION						
Net investment in capital assets	1,655,940	1,200,538	148,919	-	3,005,397	-
Restricted for debt services	177,484	220,861	-	-	398,345	-
Unrestricted (deficit)	(54,642)	2,375,358	231,809	850,389	3,402,914	1,307,952
Total net position	\$ 1,778,782	\$ 3,796,757	\$ 380,728	\$ 850,389	6,806,656	\$ 1,307,952
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time					733,535	
Net Position of business-type activities					\$ 7,540,191	

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

CITY OF TULIA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities			
	Water/Sewer Utility	Electric Utility	Sanitation Utility	Revolving Loan
OPERATING REVENUES:				
Charges for Services:				
Charges for services	\$ 1,997,636	\$ 4,023,120	\$ 751,758	\$ -
Miscellaneous	78	277,860	24,642	-
Internal service charges	-	-	-	-
Total operating revenues	1,997,714	4,300,980	776,400	-
OPERATING EXPENSES:				
Personnel costs	260,361	263,169	123,867	-
Supplies and materials	52,782	36,157	62,683	-
Maintenance	143,286	86,578	37,419	-
Contractual services	371,534	56,451	28,785	-
Other expenses	32,280	39,714	9,787	-
Electric purchases	-	2,179,137	-	-
Depreciation	292,348	273,772	67,133	-
Intercity charges	164,409	20,000	119,208	-
Landfill closure costs	-	-	32,579	-
Insurance claims and premiums	-	-	-	-
Total operating expenses	1,317,000	2,954,978	481,461	-
OPERATING INCOME (LOSS)	680,714	1,346,002	294,939	-
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	1,240,000	-	14,500	73,176
Investment earnings	12,970	24,605	7,536	19,777
Interest and fiscal charges	(118,108)	(23,303)	(5,430)	-
Total nonoperating revenues (expenses)	1,134,862	1,302	16,606	92,953
INCOME (LOSS) BEFORE TRANSFERS	1,815,576	1,347,304	311,545	92,953
TRANSFERS, net	(76,754)	(851,614)	(208,143)	-
CHANGE IN NET POSITION	1,738,822	495,690	103,402	92,953
NET POSITION - BEGINNING	39,960	3,301,067	277,326	757,436
NET POSITION - ENDING	\$ 1,778,782	\$ 3,796,757	\$ 380,728	\$ 850,389
Change in Net Position	\$ 1,738,822	\$ 495,690	\$ 103,402	\$ 92,953
Adjustment for the net effect of the current year activity between the internal service fund and the business-type activity - enterprise funds				
Changes in Net Position of business-type activities				

		Governmental Activities
Total Enterprise Funds		Internal Service
\$ 6,772,514	\$ -	
302,580	-	
-	750,544	
7,075,094	750,544	
647,397	-	
151,622	-	
267,283	257,637	
456,770	-	
81,781	-	
2,179,137	-	
633,253	-	
303,617	-	
32,579	-	
-	322,071	
4,753,439	579,708	
2,321,655	170,836	
1,327,676	591,876	
64,888	10,478	
(146,841)	-	
1,245,723	602,354	
3,567,378	773,190	
(1,136,511)	(262,658)	
2,430,867	510,532	
4,375,789	797,420	
\$ 6,806,656	\$ 1,307,952	
\$ 2,430,867		
121,168		
\$ 2,552,035		

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

CITY OF TULIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities	
	Water/Sewer Utility	Electric Utility
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,023,080	\$ 4,554,738
Receipts for internal service charges	-	-
Payments to employees for salaries and benefits	(309,209)	(310,160)
Payments to suppliers and service providers	(583,037)	(2,395,689)
Payments for insurance premiums	-	-
Payments for interfund services used	(164,409)	(20,000)
Net cash provided by operating activities	966,425	1,828,889
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers between other funds	(76,754)	(851,614)
Grant receipts	687,303	-
Net cash provided (used) by non-capital financing activities	610,549	(851,614)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(470,481)	(200,000)
Interest paid on capital debt	(130,045)	(16,249)
Acquisition or construction of capital assets	(1,733,218)	(262,534)
Net cash used for capital and related financing activities	(2,333,744)	(478,783)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	12,970	24,605
Net cash provided by investing activities	12,970	24,605
NET INCREASE / (DECREASE) IN CASH	(743,800)	523,097
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	1,590,026	1,467,729
CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)	\$ 846,226	\$ 1,990,826

Business-Type Activities			Governmental Activities
Sanitation Utility	Revolving Loan	Total Enterprise Funds	Internal Service
\$ 780,422	\$ 19,356	\$ 7,377,596	\$ -
-	-	-	722,923
(148,590)	-	(767,959)	-
(139,761)	-	(3,118,487)	(252,687)
-	-	-	(353,181)
(119,208)	-	(303,617)	-
372,863	19,356	3,187,533	117,055
(208,143)	-	(1,136,511)	(262,658)
14,500	-	701,803	591,876
(193,643)	-	(434,708)	329,218
(23,770)	-	(694,251)	-
(7,650)	-	(153,944)	-
(55,645)	-	(2,051,397)	-
(87,065)	-	(2,899,592)	-
7,536	19,777	64,888	10,478
7,536	19,777	64,888	10,478
99,691	39,133	(81,879)	456,751
483,409	588,306	4,129,470	807,320
\$ 583,100	\$ 627,439	\$ 4,047,591	\$ 1,264,071
			Continued

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

CITY OF TULIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Continuation

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES**

	Business-Type Activities	
	Water/Sewer Utility	Electric Utility
Operating income (loss)	\$ 680,714	\$ 1,346,002
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	292,348	273,772
Change in landfill closure cost liability	-	-
Change in allowance for doubtful accounts	13,861	10,489
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	12,990	244,433
(Increase) decrease in notes receivable	-	-
(Increase) decrease in prepaids	-	-
(Increase) decrease in net pension asset	(103,505)	(101,170)
(Increase) decrease in deferred outflows of pension	2,519	3,026
(Increase) decrease in deferred outflows of OPEB	965	1,111
Increase (decrease) in accounts payable	16,845	2,348
Increase (decrease) in accrued expenses	963	3,198
Increase (decrease) in OPEB liability	(299)	(1,052)
Increase (decrease) in customer deposits	(1,485)	(1,164)
Increase (decrease) in deferred inflows of pension	50,872	48,324
Increase (decrease) in deferred inflows of OPEB	(363)	(428)
Net cash provided by operating activities	<u>\$ 966,425</u>	<u>\$ 1,828,889</u>
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:		
Amortization of deferred bond premiums	\$ 10,311	\$ 4,066
Amortization of deferred charge on refunding	-	(11,820)
Non-cash receipt of loan receivable from Swisher County	-	-
	<u>\$ 10,311</u>	<u>\$ (7,754)</u>

Business-Type Activities			Governmental Activities
Sanitation Utility	Revolving Loan	Total Enterprise Funds	Internal Service
\$ 294,939	\$ -	\$ 2,321,655	\$ 170,836
67,133	-	633,253	-
32,579	-	32,579	-
-	-	24,350	-
4,022	(2,078)	259,367	(27,621)
-	21,434	21,434	-
-	-	-	(26,828)
(36,590)	-	(241,265)	-
2,856	-	8,401	-
933	-	3,009	-
(1,087)	-	18,106	668
(1,883)	-	2,278	-
(2,758)	-	(4,109)	-
-	-	(2,649)	-
13,100	-	112,296	-
(381)	-	(1,172)	-
<u>\$ 372,863</u>	<u>\$ 19,356</u>	<u>\$ 3,187,533</u>	<u>\$ 117,055</u>
\$ -	\$ -	\$ 14,377	\$ -
-	-	(11,820)	-
-	73,176	73,176	-
<u>\$ -</u>	<u>\$ 73,176</u>	<u>\$ 75,733</u>	<u>\$ -</u>

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

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description of Reporting Entity

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

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

Discretely presented component unit

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

B. Basis of Presentation – Government-wide Financial Statements

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

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

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

C. Basis of Presentation - Fund Financial Statements

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Basis of Presentation – Fund Financial Statements – Continuation

The City reports the following internal service funds:

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Measurement Focus and Basis of Accounting – Continuation

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

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

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

E. Budgetary Information

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

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

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

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

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

a. Cash and Cash Equivalents

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

b. Receivable and Payable Balances

Receivables include trade, delinquent taxes, and municipal court fees and fines, all of which are shown net of an allowance for estimated uncollectible amounts. As of September 30, 2022, the allowance for estimated uncollectible delinquent taxes was \$50,149 and the allowance for estimated uncollectible municipal court fees and fines was \$71,959.

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

c. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

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

d. Inter-fund Activity

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

e. Use of Estimates

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

f. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs withheld from the actual debt proceeds received are reported as debt service expenditures.

g. Deferred Outflows/Inflows of Resources

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

h. Pensions

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

i. Net Position

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

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

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

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

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

j. Fund Balance

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

Non-spendable fund balance – (inherently not spendable)

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

Restricted fund balance – (externally enforceable limitations on use)

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

j. Fund Balance – Continuation

Committed fund balance – (self-imposed limitations)

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

Assigned fund balance – (self-imposed limitations)

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

Unassigned fund balance – (residual net resources)

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

Fund balance flow assumptions:

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

G. Revenues and Expenditures/Expenses

a. Program Revenues

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

b. Property Taxes

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

G. Revenues and Expenditures/Expenses – Continuation

c. Compensated Absences

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

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

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

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

H. Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

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

Violation

Expenditures exceeded the budget in various functional areas in the General Fund

Action Taken

A combination of underspending in other functional categories, and excess revenues over budget, have covered such overspendings.

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's cash and deposit balances as of September 30, 2022:

Cash and deposit balances consist of:

Petty cash funds	\$ 300
Bank deposits	5,998,650
	<hr/>
Total	\$ 5,998,950
	<hr/> <hr/>

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

Government-wide Statement of Net Position:

Unrestricted	\$ 4,565,774
Restricted for customer deposits	238,498
Restricted for construction	399,322
Restricted for debt service	398,345
Component unit - unrestricted	397,011
	<hr/>
Total	\$ 5,998,950
	<hr/> <hr/>

Custodial credit risk – deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2022 the City's deposits with financial institutions was \$6,208,220. \$250,000 of that amount was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$5,958,220 was collateralized with securities held by the pledging of institution's agent in the City's name.

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2022, 100% of the City's funds were being held at the City's depository and were adequately secured as described above.

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

Primary Government:

<u>Governmental activities:</u>	Beginning Balances	Increases	Decreases	Transfers / Reclassifications	Ending Balances
Capital assets not being depreciated:					
Land	\$ 189,298	\$ -	\$ -	\$ -	\$ 189,298
Construction in progress	-	25,673	-	-	25,673
Total capital assets not being depreciated	189,298	25,673	-	-	214,971
Capital assets being depreciated:					
Buildings	138,164	185,911	-	-	324,075
Improvements other than buildings	842,720	-	-	-	842,720
Furniture and equipment	2,597,853	72,494	-	-	2,670,347
Infrastructure	899,332	-	-	-	899,332
Leased buildings	177,768	-	-	-	177,768
Leased equipment	3,508	75,299	-	-	78,807
Total capital assets being depreciated	4,659,345	333,704	-	-	4,993,049
Less accumulated depreciation for:					
Buildings	(138,164)	(2,324)	-	-	(140,488)
Improvements other than buildings	(620,793)	(19,352)	-	-	(640,145)
Furniture and equipment	(2,299,816)	(103,145)	-	-	(2,402,961)
Infrastructure	(899,332)	-	-	-	(899,332)
Leased buildings	(105,673)	(5,926)	-	-	(111,599)
Leased equipment	(1,403)	(15,761)	-	-	(17,164)
Total accumulated depreciation	(4,065,181)	(146,508)	-	-	(4,211,689)
Total capital assets being depreciated, net	594,164	187,196	-	-	781,360
Governmental activities capital assets, net	\$ 783,462	\$ 212,869	\$ -	\$ -	\$ 996,331

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

Governmental activities:	
Administration	\$ 8,501
Public safety	105,796
Streets	9,501
Parks	22,710
Total depreciation expense-governmental activities	\$ 146,508

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3 – CAPITAL ASSETS – Continuation

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 234,118	\$ -	\$ -	\$ -	\$ 234,118
Construction in progress	537,499	1,937,773	-	(1,813,494)	661,778
Total capital assets not being depreciated	771,617	1,937,773	-	(1,813,494)	895,896
Capital assets being depreciated:					
Buildings	328,672	-	-	-	328,672
Improvements other than buildings	1,771,592	-	-	-	1,771,592
Furniture and equipment	3,305,153	113,624	-	-	3,418,777
Infrastructure	11,480,905	-	-	1,813,494	13,294,399
Water rights	3,310,000	-	-	-	3,310,000
Total capital assets being depreciated	20,196,322	113,624	-	1,813,494	22,123,440
Less accumulated depreciation for:					
Buildings	(328,672)	-	-	-	(328,672)
Improvements other than buildings	(1,627,914)	(62,760)	-	-	(1,690,674)
Furniture and equipment	(2,786,191)	(142,932)	-	-	(2,929,123)
Infrastructure	(8,432,441)	(344,811)	-	-	(8,777,252)
Water rights	(2,622,073)	(82,750)	-	-	(2,704,823)
Total accumulated depreciation	(15,797,291)	(633,253)	-	-	(16,430,544)
Total capital assets being depreciated, net	4,399,031	(519,629)	-	1,813,494	5,692,896
Business-type activities capital assets, net	\$ 5,170,648	\$ 1,418,144	\$ -	\$ -	\$ 6,588,792

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

<u>Business-type activities:</u>	
Water/Sewer department	\$ 292,348
Electric department	273,772
Sanitation department	67,133
Total depreciation expense-business-type activities	\$ 633,253

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4 – INTER-FUND TRANSFERS

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 1,448,493	\$ 49,324
Proprietary Funds:		
Water/Sewer Fund	1,607,997	1,684,751
Electric Fund	705,531	1,557,145
Sanitation Fund	62,555	270,698
Internal Service Funds:		
Capital Replacement Fund	-	262,658
	<u>\$ 3,824,576</u>	<u>\$ 3,824,576</u>

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

NOTE 5 – LOANS RECEIVABLE

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Loans receivable	\$ 200,530	\$ 73,176	\$ (21,434)	\$ 252,272	\$ 25,107
Less: Allowance for uncollectible accounts	(31,400)	-	-	(31,400)	-
 Total Business-Type Activities					
Loans Receivables	<u>\$ 169,130</u>	<u>\$ 73,176</u>	<u>\$ (21,434)</u>	<u>\$ 220,872</u>	<u>\$ 25,107</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit:					
Loans receivable	\$ 265,999	\$ -	\$ (35,671)	\$ 230,328	\$ 29,313
Less: Allowance for uncollectible accounts	(30)	-	30	-	-
 Total Component Unit					
Loans Receivables	<u>\$ 265,969</u>	<u>\$ -</u>	<u>\$ (35,641)</u>	<u>\$ 230,328</u>	<u>\$ 29,313</u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 – LOANS RECEIVABLE – Continuation

The annual receivable on long-term receivables outstanding as September 30, 2022, is as follows:

Years Ending September 30	Total	Business-Type Activities		Component Unit	
		Principal	Interest	Principal	Interest
2023	\$ 64,478	\$ 25,107	\$ 6,263	\$ 29,313	\$ 3,795
2024	65,866	25,892	5,478	31,039	3,457
2025	65,866	26,702	4,668	31,599	2,897
2026	65,866	27,538	3,832	31,929	2,567
2027	61,105	28,403	2,967	27,828	1,907
2028-2031	174,371	87,230	5,247	78,620	3,274
Total	<u>\$ 497,552</u>	<u>\$ 220,872</u>	<u>\$ 28,455</u>	<u>\$ 230,328</u>	<u>\$ 17,897</u>

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

NOTE 6 – LONG-TERM DEBT

1. Long-Term Debt Activity

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

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6 – LONG-TERM DEBT – Continuation

Advance Refunding

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

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

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

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

Water Tank/Tower Maintenance Contracts

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

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6 – LONG-TERM DEBT – Continuation

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

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

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

Capital Leases

The City has leased certain buildings and equipment under non-cancellable capital leases. The interest rates range from 1.011% - 9.75% and maturity date from October 2023 through February 2034.

Changes in long-term obligations for the year ended September 30, 2022, are as follows:

Primary Government:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases	\$ 121,036	\$ 75,299	\$ (14,913)	\$ 181,422	\$ 24,050
Compensated Absences	39,114	203,180	(206,762)	35,532	4,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 160,150</u>	<u>\$ 278,479</u>	<u>\$ (221,675)</u>	<u>\$ 216,954</u>	<u>\$ 28,050</u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6 – LONG-TERM DEBT – Continuation

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2012 General Obligation Refunding Bonds	\$ 625,000	\$ -	\$ (200,000)	\$ 425,000	\$ 210,000
2013 Combination Tax and Revenue Certificates	348,000	-	(93,000)	255,000	97,000
2013A General Obligation Refunding Bonds	319,000	-	(123,000)	196,000	125,000
2018 Certificates of Obligation	2,160,000	-	(145,000)	2,015,000	150,000
2019 Combination Tax and Revenue Certificates	1,108,000	-	(71,000)	1,037,000	73,000
Deferred issuance premiums	<u>135,928</u>	<u>-</u>	<u>(14,376)</u>	<u>121,552</u>	
 Total bonds payable	 4,695,928	 -	 (646,376)	 4,049,552	 655,000
 Water Tower Renovations	 38,481	 -	 (38,481)	 -	 -
Capital Leases	78,488	-	(23,770)	54,718	26,087
Compensated Absences	<u>25,188</u>	<u>187,536</u>	<u>(185,258)</u>	<u>27,466</u>	<u>2,000</u>
 Business-Type Activities Long-Term Liabilities	 <u>\$ 4,838,085</u>	 <u>\$ 187,536</u>	 <u>\$ (893,885)</u>	 <u>\$ 4,131,736</u>	 <u>\$ 683,087</u>

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

2. Debt Service Requirements

Debt service requirements at September 30, 2022, are as follows:

Governmental Activities			
Years			
Ending September 30	Total	Capital Leases	
		Principal	Interest
2023	\$ 27,660	\$ 24,050	\$ 3,610
2024	28,260	25,013	3,247
2025	28,313	25,458	2,855
2026	28,130	25,671	2,459
2027	10,800	8,744	2,056
2028-2032	60,300	53,978	6,322
2033-2034	<u>18,900</u>	<u>18,508</u>	<u>392</u>
 Total	 <u>\$ 202,363</u>	 <u>\$ 181,422</u>	 <u>\$ 20,941</u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements – Continuation

Business-Type Activities

Years Ending September 30	Total	General Obligation Refunding Bonds, Series 2012		Combination Tax and Revenue Certificates Series 2013		General Obligation Refunding Bonds, Series 2013A	
		Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 779,841	\$ 210,000	\$ 9,600	\$ 97,000	\$ 5,782	\$ 125,000	\$ 3,845
2024	778,887	215,000	3,225	158,000	2,212	71,000	1,022
2025	326,972	-	-	-	-	-	-
2026	330,160	-	-	-	-	-	-
2027	327,992	-	-	-	-	-	-
2028-2032	1,639,890	-	-	-	-	-	-
2033-2034	429,014	-	-	-	-	-	-
Total	\$ 4,612,756	\$ 425,000	\$ 12,825	\$ 255,000	\$ 7,994	\$ 196,000	\$ 4,867

Certificates of Obligation Series 2018		Combination Tax and Revenue Certificates Series 2019		Water Tower Renovations	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 150,000	\$ 77,600	\$ 73,000	\$ 28,014	\$ -	\$ -
155,000	71,500	76,000	25,928	-	-
160,000	65,200	78,000	23,772	-	-
170,000	58,600	80,000	21,560	-	-
175,000	51,700	82,000	19,292	-	-
985,000	145,900	449,000	59,990	-	-
220,000	4,400	199,000	5,614	-	-
\$ 2,015,000	\$ 474,900	\$ 1,037,000	\$ 184,170	\$ -	\$ -

NOTE 7 – WATER RIGHTS

The City has a long-term contract with the Mackenzie Municipal Water Authority (MMWA) for the purchase of treated water. The MMWA was created by an Act of the Texas Legislature in 1965 with the purpose to furnish water to the municipalities of Floydada, Lockney, Silverton, and Tulia. The MMWA is located in Briscoe County, Texas, and has a conservative storage capacity of 45,500 acre-feet. The dam site and transmission system are the property of the MMWA, however the water rights are owned by the aforementioned cities. The minimum requirements under the contract are approximately \$190,000 per year. For the year ended September 30, 2022, the City made payments to the MMWA in the amount of \$108,062.

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year ended 2022, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage described above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded in any of the past three fiscal years.

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS

Plan Description:

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

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

Benefits Provided:

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Employees Covered by Benefit Terms:

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	38
Active employees	37

Contributions:

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

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

The City contributed using the actuarially determined rate of 9.47% for the months of the accounting year in 2021 and 8.32% for the months of the accounting year in 2022. The contribution rate payable by the employee members is 6.0% for fiscal year 2022 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability:

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Actuarial Assumptions:

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.5% to 11.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

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

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

The actuarial assumptions that determined the total pension liability as of December 31, 2021 were based on the results of an actuarial experience study for the period January 1, 2014 – December 31, 2018, except where required to be different by GASB 68.

Discount Rate:

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

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS – Continuation

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

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

1. TMRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TMRS, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

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

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2020	\$ 10,073,124	\$ 10,293,974	\$ (220,850)
Changes for the year:			
Service cost	217,719	-	217,719
Interest on total pension liability	666,134	-	666,134
Difference between expected and actual experience	(51,923)	-	(51,923)
Changes of assumptions	-	-	-
Benefit payments/refunds of employee contributions	(626,667)	(626,667)	-
Contributions - employer	-	149,296	(149,296)
Contributions - employee	-	94,592	(94,592)
Net investment income	-	1,340,038	(1,340,038)
Administrative expenses	-	(6,209)	6,209
Other	-	41	(41)
Balances as of December 31, 2021	<u>\$ 10,278,387</u>	<u>\$ 11,245,065</u>	<u>\$ (966,678)</u>
Plan fiduciary net position as a percentage of the total pension liability:			109.40%
Covered employee payroll:			\$ 1,576,530
Net pension liability as a percentage of covered employee payroll:			-61.32%

Sensitivity of the Net Pension Liability / (Asset) to changes in the discount rate:

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Net pension liability / (asset)	<u>\$ 430,792</u>	<u>\$ (966,678)</u>	<u>\$ (2,112,380)</u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS – Continuation

Pension plan fiduciary net position:

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

Pension Expense / (Income):

	January 1, 2021 to December 31, 2021
Total service cost	\$ 217,719
Interest on total pension liability	666,134
Effect of plan changes	-
Employee contributions (reduction of expenses)	(94,592)
Projected earnings on plan investments (reduction of expenses)	(694,843)
Administrative expenses	6,209
Other changes in fiduciary net position	(41)
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(15,362)
Recognition of current year deferred (inflows)/outflows of resources - assets	(129,039)
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	(59,500)
Amortization of prior year deferred (inflows)/outflows of resources - assets	(106,688)
	<hr/>
Total pension expense	\$ (210,003)
	<hr/>

Deferred Inflows / Outflows of Resources:

As of September 30, 2022, the deferred inflows and outflows - current and future expenses are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 98,312	\$ -
Changes of assumptions	-	759
Net difference between projected and actual earnings	686,865	-
Contributions made subsequent to measurement date	N/A	100,554

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS – Continuation

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

Year ended December 31:		
2022	\$	(189,052)
2023		(315,269)
2024		(151,059)
2025		(129,038)
2026		-
Thereafter		-

NOTE 10 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

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

Plan Benefits

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

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	5
Active employees	37

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN –
Continuation

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2021 were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

For calculating the OPEB liability and the OPEB contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

Discount Rate

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to employer's yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated AA or higher. As of December 31, 2021, the discount rate used in development of the Total OPEB Liability was 2.75% compared to 3.71% as of December 31, 2020.

Changes in the Total OPEB Liability:

	<u>Changes in Total OPEB Liability</u>
Balances as of December 31, 2020	\$ 157,347
Changes for the year:	
Service cost	6,464
Interest on total OPEB liability	3,185
Difference between expected and actual experience	(3,537)
Changes in assumptions or other inputs	4,853
Benefit payments	<u>(2,680)</u>
Balances as of December 31, 2021	<u><u>\$ 165,632</u></u>

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN –
Continuation

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

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 1.84%, as well as the what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (.84%) or 1 percentage point higher (2.84%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB liability	\$ 201,134	\$ 165,632	\$ 138,188

OPEB Expense / (Income)

	January 1, 2021 to December 31, 2021
Service cost	\$ 6,464
Interest on total OPEB liability	3,185
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience	(3,747)
Changes in assumptions or other inputs (1)	8,491
Total OPEB expense	\$ 14,393

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

Deferred Inflows / Outflows of Resources:

As of September 30, 2022, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 10,486	\$ -
Changes of assumptions	2,175	26,234
Contributions made subsequent to measurement date	N/A	2,417

Continued

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10 – POST EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN –
Continuation

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

Year ended December 31:		
2022	\$	3,960
2023		4,110
2024		5,203
2025		254
2026		46
Thereafter		-

NOTE 11 – JOINT VENTURE

The City of Tulia/Swisher County Airport (Airport) is a joint venture between the City of Tulia, Texas and Swisher County, Texas. The City and the County equally share the ongoing financial responsibility to operate the Airport. The Airport is governed by the Airport Board, whose members are appointed by the City Council and the County Commissioners. The City does not have an equity interest in the airport. During the year ended September 30, 2022, the City contributed \$7,500 toward the Airport's operating budget.

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

Summarized audited information of the Airport for the fiscal year ended September 30, 2022 is as follows:

Operating revenues	\$	10,951
Operating expenses		(12,667)
Non-operating revenues, net of expenses		<u>4,165</u>
Net income	\$	<u><u>2,449</u></u>
Total assets	\$	<u><u>174,970</u></u>
Total liabilities	\$	<u><u>1,950</u></u>
Total net position	\$	<u><u>173,020</u></u>

CITY OF TULIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 12 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

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

The City operates a landfill site permitted as follows: MSW 1009A. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on estimated future closure and post closure care costs that will be incurred near or after the date that the landfill no longer accepts solid waste. The estimated total current cost of the landfill closure and post closure care of \$700,621 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2022. The recognition of the estimate total current cost is based on the amount of the landfills used during the year. The estimated liability for closure and post closure cost accrued on the City's books for the year ended September 30, 2022 was \$416,645, which is based on accumulated usage of landfill area. It is estimated that an additional \$283,976 will be recognized as closure and post closure expenses between the balance sheet date and the date that the landfills are filled to capacity. As of September 30, 2022, the City has used approximately 59.4% of the available landfill capacity for the permit MSW 1009A. The City expects to close MSW 1009A in the year 2064. However, the actual cost of closure and post closure care is subject to change due to inflation, changes in technology, or changes in landfill laws and regulations.

The City of Tulia has demonstrated financial assurance for closure post closure care cost associated with the landfill by satisfying the financial test specified in Sub-chapter K of 31 Texas Administrative Code 330.285(g).

NOTE 13 – PRIOR PERIOD RESTATEMENT

The prior period net assets were reduced due to the implementation of GASB Statement 87 – *Leases*. The statements requires the recording of long-term right to use assets, “leased equipment” and the corresponding long-term obligation of the leases on the Statement of Net Position.

	Governmental Activities
Net book value of leased equipment at October 1, 2021	\$ 74,200
Carrying value of capital lease liability for leased equipment at October 1, 2021	<u>(121,036)</u>
Prior period adjustment - government-wide statement of activiites	<u><u>\$ (46,836)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TULIA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
Property taxes	\$ 498,890	\$ 498,890	\$ 491,736	\$ (7,154)
Sales	250,000	250,000	293,147	43,147
Franchise	135,000	135,000	121,940	(13,060)
Mixed beverage	750	750	-	(750)
Licenses and fees	15,000	15,000	20,348	5,348
Fines and forfeitures	99,750	99,750	125,602	25,852
Intergovernmental	119,500	119,500	137,455	17,955
Interest earnings	250	250	1,471	1,221
Miscellaneous	23,750	23,750	226,997	203,247
Total revenues	1,142,890	1,142,890	1,418,696	275,806
EXPENDITURES				
Current:				
Administration	389,546	389,546	380,739	8,807
Municipal court	33,676	33,676	31,661	2,015
Building maintenance	27,511	27,511	30,073	(2,562)
Financial administration	179,031	179,031	192,293	(13,262)
Legislative	127,792	127,792	109,256	18,536
Fire	102,043	102,043	100,473	1,570
Police	1,161,912	1,161,912	1,192,435	(30,523)
Streets	315,359	315,359	297,437	17,922
Parks	194,205	194,205	163,981	30,224
Debt Service:				
Principal	14,975	14,975	14,913	62
Interest and other charges	3,125	3,125	3,112	13
Capital outlay	-	-	359,377	(359,377)
Total expenditures	2,549,175	2,549,175	2,875,750	(326,575)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(1,406,285)	(1,406,285)	(1,457,054)	(50,769)

Continued

CITY OF TULIA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Continuation	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES				
(USES)				
Initiation of capital leases	\$ -	\$ -	\$ 75,299	\$ 75,299
Proceeds from sale of capital assets	6,000	6,000	-	(6,000)
Transfers in	918,923	918,923	1,448,493	529,570
Transfers out	(56,748)	(56,748)	(49,324)	7,424
Total other financing sources (uses)	<u>868,175</u>	<u>868,175</u>	<u>1,474,468</u>	<u>606,293</u>
NET CHANGE IN FUND BALANCE	(538,110)	(538,110)	17,414	555,524
FUND BALANCES - BEGINNING	<u>344,257</u>	<u>344,257</u>	<u>344,257</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (193,853)</u>	<u>\$ (193,853)</u>	<u>\$ 361,671</u>	<u>\$ 555,524</u>

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

	Year Ended December 31,			
	2021	2020	2019	2018
Total Pension Liability:				
Service cost	\$ 217,719	\$ 219,607	\$ 217,646	\$ 215,227
Interest on total pension liability	666,134	648,067	631,514	609,709
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(51,923)	(65,182)	(148,044)	(15,270)
Changes of assumptions	-	-	2,997	-
Benefit payments/refunds of contributions	<u>(626,667)</u>	<u>(441,121)</u>	<u>(478,611)</u>	<u>(497,049)</u>
Net change in total pension liability	205,263	361,371	225,502	312,617
Total pension liability, beginning	<u>10,073,124</u>	<u>9,711,753</u>	<u>9,486,251</u>	<u>9,173,634</u>
Total pension liability, ending (a)	<u><u>\$ 10,278,387</u></u>	<u><u>\$ 10,073,124</u></u>	<u><u>\$ 9,711,753</u></u>	<u><u>\$ 9,486,251</u></u>
Fiduciary Net Position:				
Employer contributions	\$ 149,296	\$ 165,791	\$ 158,152	\$ 178,284
Employee contributions	94,592	93,054	90,372	89,740
Net investment income	1,340,038	738,542	1,334,939	(273,989)
Benefit payments/refunds of contributions	(626,667)	(441,121)	(478,611)	(497,049)
Administrative expenses	(6,209)	(4,785)	(7,552)	(5,300)
Other	<u>41</u>	<u>(188)</u>	<u>(227)</u>	<u>(275)</u>
Net change in fiduciary net position	951,091	551,293	1,097,073	(508,589)
Fiduciary net position, beginning	<u>10,293,974</u>	<u>9,742,681</u>	<u>8,645,608</u>	<u>9,154,197</u>
Fiduciary net position, ending (b)	<u><u>\$ 11,245,065</u></u>	<u><u>\$ 10,293,974</u></u>	<u><u>\$ 9,742,681</u></u>	<u><u>\$ 8,645,608</u></u>
Net pension liability / (asset), ending = (a) - (b)	<u><u>\$ (966,678)</u></u>	<u><u>\$ (220,850)</u></u>	<u><u>\$ (30,928)</u></u>	<u><u>\$ 840,643</u></u>
Fiduciary net position as a % of total pension liability	109.40%	102.19%	100.32%	91.14%
Pensionable covered payroll	\$ 1,576,530	\$ 1,550,894	\$ 1,506,204	\$ 1,495,672
Net pension liability as a % of covered payroll	-61.32%	-14.24%	-2.05%	56.21%

Year Ended December 31,					
2017	2016	2015	2014	2013	2012
\$ 206,255	\$ 202,079	\$ 182,698	\$ 179,065	\$ N/A	\$ N/A
607,690	591,185	590,150	576,521	N/A	N/A
-	-	-	-	N/A	N/A
(239,091)	5,294	(82,715)	(171,204)	N/A	N/A
-	-	59,806	-	N/A	N/A
(601,800)	(510,467)	(353,625)	(429,379)	N/A	N/A
(26,946)	288,091	396,314	155,003	N/A	N/A
9,200,580	8,912,489	8,516,175	8,361,172	N/A	N/A
<u>\$ 9,173,634</u>	<u>\$ 9,200,580</u>	<u>\$ 8,912,489</u>	<u>\$ 8,516,175</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 172,265	\$ 164,899	\$ 174,056	\$ 180,149	\$ N/A	\$ N/A
86,784	85,146	79,781	79,595	N/A	N/A
1,156,472	545,240	12,046	451,201	N/A	N/A
(601,800)	(510,467)	(353,625)	(429,379)	N/A	N/A
(5,995)	(6,158)	(7,337)	(4,711)	N/A	N/A
(304)	(332)	(363)	(387)	N/A	N/A
807,422	278,328	(95,442)	276,468	N/A	N/A
8,346,775	8,068,447	8,163,889	7,887,421	N/A	N/A
<u>\$ 9,154,197</u>	<u>\$ 8,346,775</u>	<u>\$ 8,068,447</u>	<u>\$ 8,163,889</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ 19,437</u>	<u>\$ 853,805</u>	<u>\$ 844,042</u>	<u>\$ 352,286</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
99.79%	90.72%	90.53%	95.86%	N/A	N/A
\$ 1,446,392	\$ 1,419,094	\$ 1,329,683	\$ 1,326,577	\$ N/A	\$ N/A
1.34%	60.17%	63.48%	26.56%	N/A	N/A



TULIA
Texas

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

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 174,886	\$ 174,886	\$ -	\$ 1,323,642	13.2%
2016	169,568	169,568	-	1,413,211	12.0%
2017	171,571	171,571	-	1,449,572	11.8%
2018	174,190	174,190	-	1,461,635	11.9%
2019	164,888	164,888	-	1,516,151	10.9%
2020	163,153	163,153	-	1,533,169	10.6%
2021	153,908	153,908	-	1,572,565	9.8%
2022	139,681	139,681	-	1,621,753	8.6%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% - 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes: There were no benefit changes during the year.

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

	Year Ended December 31,			
	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 6,464	\$ 6,514	\$ 4,217	\$ 4,938
Interest on total OPEB liability	3,185	3,640	4,295	4,023
Effect of plan changes	-	-	-	-
Changes in assumptions or other inputs	4,853	19,456	19,806	(7,818)
Differences between expected and actual experiences	(3,537)	(748)	(11,689)	(5,171)
Benefit payments	<u>(2,680)</u>	<u>(1,241)</u>	<u>(1,205)</u>	<u>(1,496)</u>
Net change in total OPEB liability	8,285	27,621	15,424	(5,524)
Total OPEB liability, beginning	<u>157,347</u>	<u>129,726</u>	<u>114,302</u>	<u>119,826</u>
Total OPEB liability, ending	<u><u>\$ 165,632</u></u>	<u><u>\$ 157,347</u></u>	<u><u>\$ 129,726</u></u>	<u><u>\$ 114,302</u></u>
Covered employee payroll	\$ 1,576,530	\$ 1,550,894	\$ 1,506,204	\$ 1,495,672
Total OPEB liability as a % of covered employee payroll	10.51%	10.15%	8.61%	7.64%

Year Ended December 31,					
2017	2016	2015	2014	2013	2012
\$ 4,050	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
3,966	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
9,470	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
(1,157)	N/A	N/A	N/A	N/A	N/A
16,329	N/A	N/A	N/A	N/A	N/A
103,497	N/A	N/A	N/A	N/A	N/A
<u>\$ 119,826</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 1,446,392	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
8.28%	N/A	N/A	N/A	N/A	N/A

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

Valuation Timing	<p>For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date and no later than the end of the employer's current fiscal year, consistently applied from period to period. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.</p> <p>The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2021 and a measurement date as of December 31, 2021; as such, no roll-forward is required.</p>
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	1.84%
Retiree's share of benefit-related costs	-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale of UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to employer's yearly contributions for retirees.

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

CITY OF TULIA, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2022

	Capital Replacement	Health Insurance	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,204,785	\$ 59,286	\$ 1,264,071
Receivables, net	-	27,621	27,621
Prepaid expenses	-	26,828	26,828
	<u>1,204,785</u>	<u>113,735</u>	<u>1,318,520</u>
Total assets			
LIABILITIES			
Current liabilities:			
Accounts payable	4,950	5,618	10,568
	<u>4,950</u>	<u>5,618</u>	<u>10,568</u>
Total liabilities			
	<u>4,950</u>	<u>5,618</u>	<u>10,568</u>
NET POSITION			
Unrestricted	1,199,835	108,117	1,307,952
	<u>1,199,835</u>	<u>108,117</u>	<u>1,307,952</u>
Total net position	<u>\$ 1,199,835</u>	<u>\$ 108,117</u>	<u>\$ 1,307,952</u>

CITY OF TULIA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Capital Replacement	Health Insurance	Total Internal Service Funds
OPERATING REVENUES:			
Fleet maintenance	\$ 429,635	\$ -	\$ 429,635
Charges for services	-	320,909	320,909
	<hr/>	<hr/>	<hr/>
Total operating revenues	429,635	320,909	750,544
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES:			
Maintenance and other supplies	257,637	-	257,637
Insurance premiums paid	-	322,071	322,071
	<hr/>	<hr/>	<hr/>
Total operating expenses	257,637	322,071	579,708
	<hr/>	<hr/>	<hr/>
OPERATING INCOME / (LOSS)	171,998	(1,162)	170,836
	<hr/>	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental	591,876	-	591,876
Investment earnings	9,455	1,023	10,478
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	601,331	1,023	602,354
	<hr/>	<hr/>	<hr/>
INCOME / (LOSS) BEFORE TRANSFERS	773,329	(139)	773,190
	<hr/>	<hr/>	<hr/>
TRANSFERS, net	(262,658)	-	(262,658)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET POSTION	510,671	(139)	510,532
	<hr/>	<hr/>	<hr/>
NET POSITION - BEGINNING	689,164	108,256	797,420
	<hr/>	<hr/>	<hr/>
NET POSITION - ENDING	\$ 1,199,835	\$ 108,117	\$ 1,307,952
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF TULIA, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Capital Replacement</u>	<u>Health Insurance</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for internal service charges	\$ 429,635	\$ 293,288	\$ 722,923
Payments to suppliers and service providers	(252,687)	-	(252,687)
Payments for insurance premiums	<u>-</u>	<u>(353,181)</u>	<u>(353,181)</u>
Net cash provided / (used) by operating activities	<u>176,948</u>	<u>(59,893)</u>	<u>117,055</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers between other funds	(262,658)	-	(262,658)
Operating grants	<u>591,876</u>	<u>-</u>	<u>591,876</u>
Net cash provided for non-capital and related financing activities	<u>329,218</u>	<u>-</u>	<u>329,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>9,455</u>	<u>1,023</u>	<u>10,478</u>
Net cash provided by investing activities	<u>9,455</u>	<u>1,023</u>	<u>10,478</u>
NET INCREASE / (DECREASE) IN CASH	515,621	(58,870)	456,751
CASH AND CASH EQUIVALENTS, BEGINNING	<u>689,164</u>	<u>118,156</u>	<u>807,320</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,204,785</u></u>	<u><u>\$ 59,286</u></u>	<u><u>\$ 1,264,071</u></u>

Continued

**CITY OF TULIA, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Capital Replacement</u>	<u>Health Insurance</u>	<u>Total Internal Service Funds</u>
Continuation			
RECONCILIATION OF OPERATING INCOME / (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income / (loss)	\$ 171,998	\$ (1,162)	\$ 170,836
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(27,621)	(27,621)
(Increase) decrease in prepaids	-	(26,828)	(26,828)
Increase (decrease) in accounts payable	<u>4,950</u>	<u>(4,282)</u>	<u>668</u>
Net cash provided / (used) by operating activities	<u><u>\$ 176,948</u></u>	<u><u>\$ (59,893)</u></u>	<u><u>\$ 117,055</u></u>



TULIA
Texas

COMPLIANCE AND INTERNAL CONTROL

CITY OF TULIA, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying/ Contract Number	Expenditures, Indirect Costs and Refunds
Federal Awards:			
U.S. Department of Commerce			
Economic Development Administration			
Public Works and Economic Adjustment Assistance	11.300	08-01-05226	\$ 1,200,000
U.S. Department of the Treasury			
Texas Department of Emergency Management			
COVID State and Local Fiscal Recovery Funds	21.027	N/A	<u>177,069</u>
Total Federal Awards			<u><u>\$ 1,377,069</u></u>

CITY OF TULIA, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards includes the federal grant activity of the City of Tulia, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the City's basic financial statements.

NOTE 2 – INDIRECT COST RATE

The City has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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*

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 discretely presented component unit, the major fund, and the aggregate remaining fund information of City of Tulia, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Tulia, Texas's basic financial statements, and have issued our report thereon dated March 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tulia, Texas's internal control over financial reporting (internal control) as a basis for designing 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 Tulia, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tulia, Texas's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

DOSHIER, PICKENS & FRANCIS, LLC

Amarillo, Texas

March 6, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Tulia, Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Tulia, Texas's major federal programs for the year ended September 30, 2022. The City of Tulia, Texas's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Tulia, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Tulia, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Tulia, Texas's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Tulia, Texas's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Tulia, Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards,

Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Tulia, Texas's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Tulia, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Tulia, Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Tulia, Texas's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

DOSHIER, PICKENS & FRANCIS, LLC

Amarillo, Texas

March 6, 2023

CITY OF TULIA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended September 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

- | | | |
|--|-------|---------------|
| • Material weakness(es) identified? | _____ | X
_____ |
| | Yes | No |
| • Significant deficiency(ies) identified that are not
considered to be material weaknesses? | _____ | X
_____ |
| | Yes | None reported |
| Noncompliance material to financial statements noted? | _____ | X
_____ |
| | Yes | No |

Federal Awards:

Internal control over major programs:

- | | | |
|--|-------|---------------|
| • Material weakness (es) identified? | _____ | X
_____ |
| | Yes | No |
| • Significant deficiency(ies) identified that are not
considered to be material weaknesses? | _____ | X
_____ |
| | Yes | None reported |

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	X _____
	Yes	No

Identification of major programs:

Federal

U.S. Department of Commerce, passed through Economic Development Administration
CFDA 11.300: Public Works and Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as low-risk auditee?	_____	X _____
	Yes	No

CITY OF TULIA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended September 30, 2022

There were no findings or questioned costs in the current year.

CITY OF TULIA, TEXAS
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
For Year Ended September 30, 2022

There were no findings or questioned costs in the prior year.