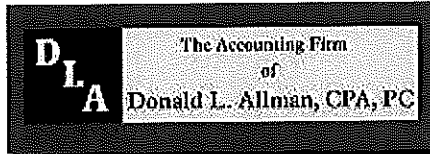


**CITY OF THRALL, TEXAS**

**Audited Financial Statements  
Independent Auditor's Report And  
Supplemental Schedules  
For the Year Ended  
September, 30, 2022**

**CITY OF THRALL, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
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**Year Ended September 30, 2022**

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CERTIFIED PUBLIC ACCOUNTANT

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thrall, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Thrall, 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, each major fund, and the aggregate remaining fund information of the City of Thrall, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Thrall, 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 Thrall, 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.

### ***Auditor's 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 Thrall, 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 Thrall, 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 management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023, on our consideration of the City of Thrall, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Thrall, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Thrall, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.

Georgetown, TX  
April 14, 2023



Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the city's financial statements, which follow this section.

### Financial Highlights

- The City's total net position increased by \$358,050 for the year in comparison to the prior year decrease of \$(46,936).
- The Proprietary Fund reported a net income of \$421,329 before transfers for the fiscal year ended September 30, 2022. The General Fund reported a net loss of \$(63,279) before transfers for the fiscal year ended September 30, 2022.
- The City's Governmental Funds balance reported a net increase of \$113,214 for the fiscal year ended September 30, 2022.

### Using this Annual Report

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

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

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

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

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

### Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements begin on page 11. The following table is a summary of net position as of September 30, 2022:

#### Government-Wide Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 396,857	\$ 298,227	\$ 559,346	\$ 480,231	\$ 956,203	\$ 778,458
Capital assets	1,389,469	1,427,940	2,298,168	2,100,559	3,687,637	3,528,499
Total assets	1,786,326	1,726,167	2,857,514	2,580,790	4,643,840	4,306,957
Deferred outflows of resources	182	5,840	185	5,844	367	11,684
Current liabilities	98,914	118,329	95,496	75,732	194,410	194,061
Long-term liabilities	1,408,049	1,463,309	176,891	356,133	1,584,940	1,819,442
Total liabilities	1,506,963	1,581,638	272,387	431,865	1,779,350	2,013,503
Deferred inflows of resources	63,670	55,335	63,666	55,332	127,336	110,667
Net position:						
Net investment in capital assets	62,200	11,588	2,126,078	1,735,300	2,188,278	1,746,888
Restricted	222,135	198,484	17,867	47,552	240,002	246,036
Unrestricted	(68,460)	(115,038)	377,701	316,585	309,241	201,547
Total net position	\$ 215,875	\$ 95,034	\$ 2,521,646	\$ 2,099,437	\$ 2,737,521	\$ 2,194,471

Capital assets decreased by \$(38,471) due to depreciation for governmental activities. Capital assets increased by \$197,609 due to construction in progress from grants for business-type activities.

Long-term liabilities of the City reflected scheduled payments on bonds, loans and capital lease debt which reduced the outstanding principal balances of debt by \$(55,260) in the General Fund and decreased by \$(179,242) in the Proprietary Fund. A prior period adjustment decreased long-term debt \$185,000 in the Proprietary Fund.

**Government-wide Changes in Net Position**

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2022	2021	2022	2021	2022	2021
Change in net position						
Total revenues	\$ 665,952	\$ 656,466	\$ 909,562	\$ 660,012	\$ 1,575,514	\$ 1,316,478
Total expenses	729,231	709,388	488,233	654,026	1,217,464	1,363,414
Change before transfers	(63,279)	(52,922)	421,329	5,986	358,050	(46,936)
Transfers	184,120	87,387	(184,120)	(87,387)	-	-
Change in net position	120,841	34,465	237,209	(81,401)	358,050	(46,936)
Prior Period Adjustment	-	-	185,000	-	185,000	-
Net position - beginning	95,034	60,569	2,099,437	2,180,838	2,194,471	2,241,407
Net position - ending	\$ 215,875	\$ 95,034	\$ 2,521,646	\$ 2,099,437	\$ 2,737,521	\$ 2,194,471

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

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 67,429	\$ 68,695	\$ 506,901	\$ 538,481	\$ 574,330	\$ 607,176
Operating grants and contributions	6,500	3,540	279,807	-	-	-
	-	-	-	-	-	-
Interest income	271	241	524	249	795	490
General revenues:						
Property taxes	325,724	307,562	-	-	325,724	307,562
Sales tax	226,235	160,201	-	-	226,235	160,201
Franchise taxes	36,293	37,075	-	-	36,293	37,075
Other general revenues	3,500	79,152	122,330	121,282	125,830	200,434
Total revenues	\$ 665,952	\$ 656,466	\$ 909,562	\$ 660,012	\$ 1,575,514	\$ 1,316,478

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Expenses						
General government	\$ 548,728	\$ 555,744	\$ -	\$ -	\$ 548,728	\$ 555,744
Public safety	40,337	56,941	-	-	40,337	56,941
Municipal court	19,740	19,740	-	-	19,740	19,740
Park	14,431	14,431	-	-	14,431	14,431
Public Works Streets	86,321	54,854				
Water and wastewater	-	-	488,233	654,026	488,233	654,026
Total expenses	\$ 709,557	\$ 701,710	\$ 488,233	\$ 654,026	\$ 1,197,790	\$ 1,355,736

### Financial Analysis of the City's Funds

The general fund had a \$120,841 increase overall, due to transferring money from the proprietary fund. The investment in capital assets increased \$50,612, restricted funds increased \$23,651 and unrestricted fund balance increased \$46,578, for an overall net increase in net position of \$120,841.

The utility fund reported a change in net position of \$237,209 for the year, in addition to a prior period adjustment increasing the net position another \$185,000. The investment in capital assets increased \$390,778, restricted assets decreased \$(29,685), and unrestricted fund balance increased \$61,116.



### General Fund Budgetary Highlights

The budgetary comparison statement reflects a significant unfavorable variance on the line for municipal court revenues and a positive variance on the lines for property tax income sales tax income. The City's budget had a negative variance for actual general government expenses compared to budgeted general government expenses. However, overall the City of Thrall had less expenses than budgeted overall including all City departments.

### Capital Asset and Debt Administration

#### Capital Assets

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land and CNN	\$ 2,971	\$ 2,971	\$ 134,209	\$ 134,209	\$ 137,180	\$ 137,180
Construction in progress	-	-	279,807	200,000	279,807	-
Distribution and collection systems	-	-	1,875,787	1,955,349	1,875,787	1,955,349
Buildings and improvements	15,365	22,330	296	401	15,661	22,731
Equipment	63,253	72,757	8,069	10,600	71,322	83,357
Infrastructure	1,307,880	1,329,882	-	-	1,307,880	1,329,882
Totals at historical cost	<u>\$ 1,389,469</u>	<u>\$ 1,427,940</u>	<u>\$ 2,298,168</u>	<u>\$ 2,300,559</u>	<u>\$ 3,687,637</u>	<u>\$ 3,728,499</u>

**Debt**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenue bonds	\$ 1,385,000	\$ 1,410,000	\$ 172,090	\$ 365,259	\$ 1,557,090	\$ 1,775,259
Loans payable	57,852	91,232	-	-	57,852	91,232
Capital leases payable	-	-	-	-	-	-
Totals	<u>\$ 1,442,852</u>	<u>\$ 1,501,232</u>	<u>\$ 172,090</u>	<u>\$ 365,259</u>	<u>\$ 1,614,942</u>	<u>\$ 1,866,491</u>

**Economic Factors and Next Year's Budgets and Rates**

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

**Contacting the City's Financial Management**

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

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City of Thrall, Texas

Statement of Net Position

As of September 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (note 2)	\$ 143,211	\$ 490,680	\$ 633,891
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivables	-	49,027	49,027
Property taxes, sales taxes & franchise fees	29,738	-	29,738
Fines receivable	-	-	-
Net Pension Asset	1,773	1,772	3,545
Restricted cash (note 2)	222,135	17,867	240,002
Capital assets (note 5):			
Land and CCN	2,971	134,209	137,180
Construction in progress	-	-	-
Other capital assets, net of depreciation	1,386,498	2,163,959	3,550,457
<b>Total assets</b>	<u>1,786,326</u>	<u>2,857,514</u>	<u>4,643,840</u>
Deferred Outflows of Resources	182	185	367
<b>LIABILITIES</b>			
Accounts payable	36,085	2,012	38,097
Accrued liabilities	11,128	51,089	62,217
Customer deposits	-	34,035	34,035
Noncurrent liabilities (note 7):			
Total OPEB Liability	11,667	11,665	23,332
Accrued vacation & sick leave payable	5,231	1,496	6,727
Due within one year	51,701	8,360	60,061
Due in more than one year	1,391,151	163,730	1,554,881
<b>Total liabilities</b>	<u>1,506,963</u>	<u>272,387</u>	<u>1,779,350</u>
Deferred Inflows of Resources	63,670	63,666	127,336
<b>NET POSITION</b>			
Net investment in capital assets	62,200	2,126,078	2,188,278
Restricted for:			
Debt service	107,508	16,267	123,775
Sales tax street repairs	105,219	-	105,219
Municipal court	7,595	-	7,595
Police training	1,813	-	1,813
Park project	-	-	-
Construction	-	1,600	1,600
Unrestricted (deficit)	(68,460)	377,701	309,241
<b>Total net position</b>	<u>\$ 215,875</u>	<u>\$ 2,521,646</u>	<u>\$ 2,737,521</u>

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

# City of Thrall, Texas

## Statement of Activities

For the Year Ended September 30, 2022

Net (Expense) Revenue and Changes in Net Position						
Functions / Programs	Program Revenues				Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities	Total	
Primary government:						
Governmental activities:						
General government	\$ 548,728	\$ 5,912	\$ -	\$ (542,816)	\$ -	\$ (542,816)
Public safety	40,337	-	6,500	(33,837)	-	(33,837)
Public Works Streets	86,321			(86,321)		(86,321)
Municipal court & parks	53,845	61,517	-	7,672	-	7,672
Total governmental activities	729,231	67,429	6,500	(655,302)	-	(655,302)
Business-type activities:						
Water and wastewater	488,233	506,901	-	-	298,475	298,475
Total business-type activities	488,233	506,901	-	-	298,475	298,475
Total primary government	\$1,217,464	\$ 574,330	\$ 6,500	\$ 279,807	\$ (655,302)	\$ 298,475
General revenues:						
Property taxes				\$ 325,724	\$ -	\$ 325,724
Sales tax				226,235	-	226,235
Franchise taxes				36,293	-	36,293
Investment earnings				271	524	795
Miscellaneous				3,500	122,330	125,830
Transfers				184,120	(184,120)	-
Total general revenues and transfers				776,143	(61,266)	714,877
Change in net position						
Prior Period Adjustment				120,841	237,209	358,050
Net Position - beginning				-	185,000	185,000
				95,034	2,099,437	2,194,471
Net position - ending				\$ 215,875	\$ 2,521,646	\$ 2,737,521

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

City of Thrall, Texas

Balance Sheet-Governmental Funds

As of September 30, 2022

	General Fund	Debt Service Fund	Special Revenue Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 143,211	\$ -	-	\$ 143,211
Receivables (net, where applicable, of allowances for uncollectibles):	-			
Sales Tax	9,312			9,312
Property taxes	16,096	-	-	16,096
Fines & Franchise fees receivable	4,330	-	-	4,330
Due from other funds	-			-
Restricted cash	-	107,508	114,627	222,135
<b>Total assets</b>	<u>\$ 172,949</u>	<u>\$ 107,508</u>	<u>114,627</u>	<u>\$ 395,084</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	36,085	-	-	36,085
Accrued liabilities	11,128	-	-	11,128
<b>Total liabilities</b>	<u>\$ 47,213</u>			<u>\$ 47,213</u>
<b>Deferred Inflows of Resources</b>				
Deferred property tax revenue	16,096	-	-	16,096
Deferred fine revenue	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>16,096</u>	<u>-</u>	<u>-</u>	<u>16,096</u>
<b>Fund Balances: Nonspendable</b>	-	-	-	-
Restricted for: Debt Service	-	107,508	-	107,508
Committed for: Sales tax street repairs	-		105,219	105,219
Committed for: Court Tech & Security	-		7,595	7,595
Committed for: Police training	-		1,813	1,813
Committed for: Park project	-		-	-
Committed for Construction	-		-	-
Unassigned	109,640		-	109,640
<b>Total fund balances</b>	<u>109,640</u>	<u>107,508</u>	<u>114,627</u>	<u>331,775</u>
<b>Total liabilities, deferred inflows of     resources, and fund balances</b>	<u>\$ 172,949</u>	<u>\$ 107,508</u>	<u>114,627</u>	<u>\$ 395,084</u>

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

## City of Thrall, Texas

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

*As of September 30, 2022*

Total Fund Balance - Governmental Funds:	\$ 331,775
Deferred Inflows are not included in governmental funds	(63,670)
Net Pension Asset is not included in governmental funds	1,773
Net Opeb liability is not included in governmental funds	(11,667)
Amounts reported for governmental activities in the	
Vacation and sick leave payable not included in governmental funds	(5,231)
Deferred Outflows not included in governmental funds	182
Differences in property tax revenues and deferred revenues	16,096
the current period and therefore are not reported in the funds.	
Long-term liabilities are not due and payable in the current period	
and therefore have not been included in the fund financial statements.	(1,442,852)
Capital assets used in governmental activities are	
not financial resources and therefore are not	
reported in the governmental funds. (See Note 6)	<u>1,389,469</u>
Net Position of Governmental Activities	<u>\$ 215,875</u>

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

**City of Thrall, Texas**

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

*For the Year Ended September 30, 2022*

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes, penalties, and interest	\$ 327,933			\$ 327,933
Sales tax	226,235		-	226,235
Franchise taxes	36,293			36,293
Municipal court fines	61,517			61,517
Grant income	-			-
Miscellaneous	3,500		-	3,500
Investment earnings	271		-	271
Total revenues	<u>655,749</u>	<u>-</u>	<u>-</u>	<u>655,749</u>
<b>EXPENDITURES</b>				
Current:				
General government	467,428		-	467,428
Public safety	25,479		-	25,479
Municipal court & Parks	44,768		-	44,768
Public Works Streets	51,877			51,877
Capital Outlay	22,531			22,531
Total expenditures	<u>612,083</u>	<u>-</u>	<u>-</u>	<u>612,083</u>
Excess (deficiency) of revenues over expenditures	43,666	-	-	43,666
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds received	-	-		-
Interest expense paid		(56,192)		(56,192)
Debt principal paid	-	(58,380)		(58,380)
Transfers out	(138,223)		-	(138,223)
Transfers in	184,120	118,389	19,834	322,343
Total other financing sources (uses)	<u>45,897</u>	<u>3,817</u>	<u>-</u>	<u>69,548</u>
Net change in fund balances	<u>89,563</u>	<u>3,817</u>	<u>19,834</u>	<u>113,214</u>
 Fund balances - beginning	<u>20,077</u>	<u>103,691</u>	<u>94,793</u>	<u>218,561</u>
 Fund balances - ending	<u>\$ 109,640</u>	<u>\$ 107,508</u>	<u>114,627</u>	<u>\$ 331,775</u>

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



## City of Thrall, Texas

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

*For the Year Ended September 30, 2022*

Net change in fund balances - total governmental funds	\$ 113,214
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add back capital outlays.	22,531
Subtract depreciation expense.	(61,002)
OPEB expense not included in governmental funds	(3,998)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property tax revenues:	
Add deferred property tax revenues at the end of the year.	16,096
Subtract deferred property tax revenues at the beginning of the year.	(18,305)
Fine revenues:	
Add noncurrent receivables at the end of the year	-
Subcontract noncurrent receivables at the beginning of the year	-
Transfers outside of Governmental Funds not included	-
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Subtract current period debt issued.	-
Add back principal payments on long-term debt.	58,380
Total Pension Expense is not included in Governmental Funds	(5,689)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences:	486
Subtract noncurrent liability at the end of the year.	(5,231)
Add noncurrent liability at the beginning of the year.	4,359
Change in net position of governmental activities.	<u>\$ 120,841</u>

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

City of Thrall, Texas

Statement of Net Position  
Proprietary Fund

As of September 30, 2022

	Business-type Activities Enterprise Funds
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 490,680
Receivables (net, where applicable, of allowances for uncollectibles):	
Accounts receivable	49,027
Total current assets	<u>\$ 539,707</u>
Noncurrent assets:	
Net Pension Asset	1,772
Restricted cash	17,867
Capital assets:	
Land and CCN	134,209
Other capital assets, net of depreciation	2,163,959
Total noncurrent assets	<u>2,317,807</u>
<b>Total assets</b>	<u>2,857,514</u>
Deferred Outflows of Resources	185
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	2,012
Accrued liabilities	51,089
Due to other funds	-
Customer deposits	34,035
Long-term debt	8,360
<b>Total current liabilities</b>	<u>95,496</u>
Noncurrent liabilities:	
Net Pension Liability	-
Total OPEB Liability	11,665
Accrued vacation	1,496
Long-term debt	163,730
Total noncurrent liabilities	<u>176,891</u>
<b>Total liabilities</b>	<u>272,387</u>
Deferred Inflows of Resources	63,666
<b>NET POSITION</b>	
Net investment in capital assets	2,126,078
Restricted for debt service	17,867
Unrestricted (deficit)	377,701
<b>Total net position</b>	<u>\$ 2,521,646</u>

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

**City of Thrall, Texas**

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

*For the Year Ended September 30, 2022*

	Business-type Activities Enterprise Funds
<b>OPERATING REVENUES</b>	
Charges for services (pledged for revenue debt)	\$ 506,901
Miscellaneous	122,330
Total operating revenues	<u>629,231</u>
<b>OPERATING EXPENSES</b>	
Water purchased & water service costs	167,448
Salaries and benefits	140,399
Professional fees	2,700
Office expense	1,526
Utilities	8,224
Repairs and maintenance	24,067
Miscellaneous	48,921
Total Pension & OPEB Expense	4,843
Depreciation	82,198
Total operating expenses	<u>480,326</u>
Operating income (loss)	<u>148,905</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	524
Interest expense	(7,907)
Total nonoperating revenues (expenses)	<u>(7,383)</u>
Net income (loss) before contributions and transfers	141,522
Capital contributions - grants	279,807
Capital contributions - recovery fees	-
Transfers in	<u>(184,120)</u>
Change in net position	237,209
Prior Period Adjustment	185,000
Net position - beginning	<u>2,099,437</u>
Net position - ending	<u>\$ 2,521,646</u>

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

**City of Thrall, Texas****Statement of Cash Flows  
Proprietary Fund***For the Year Ended September 30, 2022*

	Business-type Activities Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 508,209
Payments to suppliers	(100,227)
Payments to employees	(129,659)
Net cash provided (used) by operating activities	278,323
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	(184,120)
Net cash provided (used) by noncapital financing activities	(184,120)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital assets acquired	(279,807)
Grant income received	279,807
Interest payments on outstanding debt	(7,907)
Principal payments on outstanding debt	(8,169)
Net cash provided (used) by capital and related financing activities	(16,076)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and investment revenue received	524
Net cash provided (used) by investing activities	524
Net increase (decrease) in cash and cash equivalents	78,651
Balances - beginning of the year	429,896
Balances - end of the year	\$ 508,547

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

**City of Thrall, Texas**

*Statement of Cash Flows  
Proprietary Fund (Continued)*

*For the Year Ended September 30, 2022*

	<u>Business-type Activities Enterprise Funds</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 148,905
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	82,198
Changes in assets and liabilities:	
Decrease in Accounts receivable	1,308
Decrease in Accounts payable	(895)
Increase in Accrued liabilities	16,685
Increase in Customer deposits	24,851
Total Pension Expense is a non cash expense	4,843
Increase in Accrued vacation	<u>428</u>
Net cash provided (used) by operating activities	<u>\$ 278,323</u>

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

### B. SCOPE OF THE REPORTING ENTITY

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

### C. FUND FINANCIAL STATEMENTS

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. FUND FINANCIAL STATEMENTS (Continued)

The City has reported the following major governmental funds.

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

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

The City has reported the following major proprietary funds.

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

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

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

### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

#### Government-wide financial statements

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

#### Fund financial statements – governmental funds

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

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

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

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

#### Fund financial statements – proprietary funds

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

### E. CASH AND CASH EQUIVALENTS

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



**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****F. INVESTMENTS**

The City had no investments at September 30, 2022. The City is authorized to invest in certificates of deposit at the City's depository bank, obligations of the United States of America, and investment pools and no-load money market mutual funds which meet the conditions of the State of Texas Public Funds Investment Act. Money market mutual funds must be no-load funds which are regulated by the Securities and Exchange Commission, have a dollar-weighted average stated maturity of 90 days or fewer, and include the investment objective of the maintenance of a stable net asset value of \$1 for each share.

**G. RECEIVABLES**

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

**H. CAPITAL ASSETS**

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

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

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

**I. ACCUMULATED UNPAID PAID TIME OFF**

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

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. LONG-TERM DEBT**

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

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

**K. COMMITTED FUND BALANCE**

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

**L. USE OF RESTRICTED RESOURCES AND COMMITTED RESOURCES**

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

**M. INTERNAL ACTIVITY**

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

**N. PROGRAM REVENUES AND INDIRECT EXPENSES**

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

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

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****O. OPERATING AND NONOPERATING REVENUES AND EXPENSES**

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

**P. ESTIMATES**

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

**2 DEPOSITS AND INVESTMENTS**Custodial Credit Risk of Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains a depository contract which requires its bank to pledge securities to the City in an amount sufficient to secure the total amount of the City's funds on deposit, less any portion of the deposit balance which is secured by FDIC coverage. The carrying amount of the City's deposits was \$873,893 at year end and the bank balance was \$873,893. Of the bank balance, \$250,000 was insured by federal depository insurance and the remaining \$623,893 was collateralized with securities held by the City's agent (safekeeping bank) in the City's name.

**3 RECEIVABLES**

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

	Gross Receivables	Allowance for Uncollectibles	Net Receivables
General Fund			
Accounts receivable	\$ -	\$ -	\$ -
Property taxes receivable	16,096	-	\$ 16,096
Sales tax receivable	9,312		9,312
Fines & Franchise fees receivable	4,330	-	\$ 4,330
Utility System Fund			
Utility accounts receivable	49,332	(305)	49,027

**4 AD VALOREM PROPERTY TAXES**

Property taxes are levied on October 1 on assessed values as of January 1 for all real and personal property located in the City. Taxes are due in January of the following year and become delinquent on February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The October 1, 2021 levy was based upon 100 percent of the assessed market value of \$77,669,153. The maximum tax rate permitted by the Constitution of the State of Texas is \$2.50 per \$100.00 of assessed valuation. The tax rate for the October 1, 2021 levy was \$.422267 for a levy of \$327,971. Current property taxes receivable is \$4,938 and delinquent property taxes receivable are \$11,158.

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

**5 CAPITAL ASSETS**

	Primary Government			
	Beginning Balance	Additions	Retirement	Ending Balance
Governmental activities:				
Land	\$ 2,971	\$ -	\$ -	\$ 2,971
Construction in progress	-	-	-	-
Total undepreciated assets	2,971	-	-	2,971
Other capital assets:				
Buildings and improvements	229,085	-	-	229,085
Equipment & Vehicles	403,483	6,331	-	409,814
Infrastructure	1,523,329	16,200	-	1,539,529
Total other capital assets at historical cost	2,155,897	22,531	-	2,178,428
Less accumulated depreciation for:				
Buildings and improvements	(206,755)	(6,965)	-	(213,720)
Equipment & Vehicles	(330,726)	(15,835)	-	(346,561)
Infrastructure	(193,447)	(38,202)	-	(231,649)
Total accumulated depreciation	(730,928)	(61,002)	-	(791,930)
Other capital assets, net	1,424,969	(38,471)	-	1,386,498
Governmental activities capital assets, net	\$ 1,427,940	\$ (38,471)	\$ -	\$ 1,389,469
Depreciation expense for governmental activities was charged as follows:				
General government	\$ 2,623			
Public safety	14,858			
Public Works Streets	34,444			
Parks	9,077			
Total governmental functions	\$ 61,002			

**5 CAPITAL ASSETS (Continued)**

	Primary Government			
	Beginning Balance	Additions	Retirement	Ending Balance
Business-type activities:				
Land	\$ 114,209	\$ -	\$ -	\$ 114,209
Cert of convenience and necessity (CCN)	20,000	-	-	20,000
Construction in progress	-	279,807	-	279,807
Total undepreciated assets	134,209	279,807	-	414,016
Other capital assets:				
Distribution and collection systems	3,851,394	-	-	3,851,394
Buildings and improvements	4,203	-	-	4,203
Equipment	153,951	-	-	153,951
Total other capital assets at historical cost	4,009,548	-	-	4,009,548
Less accumulated depreciation for:				
Distribution and collection systems	(1,896,045)	(79,562)	-	(1,975,607)
Buildings and improvements	(3,802)	(105)	-	(3,907)
Equipment	(143,351)	(2,531)	-	(145,882)
Total accumulated depreciation	(2,043,198)	(82,198)	-	(2,125,396)
Other capital assets, net	1,966,350	(82,198)	-	1,884,152
Business-type activities capital assets, net	\$ 2,100,559	\$197,609	\$ -	\$ 2,298,168

**6 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

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

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

**7 LONG-TERM DEBT**

Long-term debt at September 30, 2022, is composed of the following items:

Equipment loans – Payable out of the General Fund

Equipment loans - Payable out of the General Fund

General Obligation Bonds, Series 2017 for Road Improvements & Drainage, due in annual installments ranging from \$15,000 to \$80,000 due on February 15, through February 15, 2052, with the interest rate ranging from 2% to 4%.	1,385,000
Revenue Bonds and other loans - Payable out of the Utility System Fund through revenues:	
Loan payable to Frontier Bank for Chevy Pickup for Police Department monthly installments of \$820 including principal and interest through January 20, 2023; interest at 3.45 percent	3,197
Loan payable to Frontier Bank for Chevy Pickup for Police Department monthly installments of \$888 including principal and interest through July 20, 2026; interest at 3.45 percent	38,245
Loan payable to Frontier Bank for Park Improvements, monthly installments of \$1202.65, with an interest rate of 4.1%, monthly intallments beginning December 15, for a term of 60 months.	16,410
\$204,250 Series 2019 revenue bonds due in annual installments of \$15,000 to \$25,000 through October 1, 2019; interest at 5.00 percent	172,090

Total long-term debt

\$ 1,614,942

**7 LONG-TERM DEBT (Continued)**

The following is a summary of long-term debt activity for September 30, 2022.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Loans and leases payable					
Loans payable	\$ 91,232	\$ -	\$ (33,380)	\$ 57,852	\$ 26,701
General Obligation Bonds	1,410,000	-	(25,000)	1,385,000	25,000
Other liabilities					
Net Pension Liability	8,302	-	(10,075)	(1,773)	
Net OPEB Liability	10,741	926	-	11,667	
Accrued vacation	4,359	872	-	5,231	-
Governmental activities long-term liabilities	<u>\$ 1,524,634</u>	<u>\$ 1,798</u>	<u>\$ (68,455)</u>	<u>\$ 1,457,977</u>	<u>\$ 51,701</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Bonds and leases payable					
Revenue bonds	365,259		193,169	172,090	8,360
Loans	-	-	-	-	-
	<u>\$ 365,259</u>	<u>\$ -</u>	<u>\$ 193,169</u>	<u>\$ 172,090</u>	<u>\$ 8,360</u>
Other liabilities:					
Net Pension Liability	8,303	-	(10,075)	(1,772)	
Net OPEB Liability	10,740	925	-	11,665	
Accrued vacation	1,068	428	-	1,496	-
Business-type activities long-term liabilities	<u>\$ 385,370</u>	<u>\$ -</u>	<u>\$ 183,094</u>	<u>\$ 183,479</u>	<u>\$ 8,360</u>

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

**7 LONG-TERM DEBT (Continued)**

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

Year Ended September 30	Governmental Activities		Business-Type Activities	
	Loans		Bonds and Loans	
	Principal	Interest	Principal	Interest
2023	51,701	55,807	8,360	7,907
2024	37,578	54,261	8,556	7,514
2025	35,015	53,150	8,756	7,111
2026	38,558	52,279	8,961	6,244
2027	30,000	50,450	9,170	5,404
2028-2032	160,000	234,600	49,169	20,021
2033-2037	195,000	198,900	55,193	7,318
2038-2042	240,000	155,600	23,925	-
2043-2047	295,000	102,500	-	-
2048-2052	360,000	37,400	-	-
	<u>\$ 1,442,852</u>	<u>\$ 994,947</u>	<u>\$ 172,090</u>	<u>\$ 61,519</u>

**8. PRIOR PERIOD ADJUSTMENT**

Bonds payable in the amount of \$185,000 were erroneously left on the financial statements in the prior period despite being paid off in full. The net result of this prior period adjustment is to decrease bonds payable in the Proprietary Fund by \$185,000 and to increase the Net Assets in the Proprietary Fund by \$185,000.



**9 PENSION PLAN****Plan Description**

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

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

**B. Benefits Provided**

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

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

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>7</u>
Total	15

**C. Contributions**

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

Employees for the City of Thrall were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Thrall were 5% and 5% in calendar years 2022 and 2021 respectively. The city's contributions to TMRS for the year ended September 30, 2022 were \$17,791, and were in excess of the required contributions.

**9 PENSION PLAN (Continued)****D. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5-10.5% per year

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

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

Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2016 through December 31, 2021, first used in the December 31, 2017 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2015 through 2019, and dated December 31, 2021. These assumptions were first used in the December 31, 2021 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

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

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

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

**NOTE 9 – PENSION PLANS (continued)****Discount Rate**

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

**City of Thrall**  
**Schedule of Changes in Net Pension Liability and Related Ratios Current Period**  
**September 30, 2022**

<b>A. Total pension liability</b>	
1. Service Cost	\$ 23,801
2. Interest (on the Total Pension Liability)	14,899
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(2,626)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	-
7. Net change in total pension liability	\$ 36,074
8. Total pension liability - beginning	208,832
9. Total pension liability - ending	\$ 244,906
<b>B. Plan fiduciary net position</b>	
1. Contributions - employer	\$ 17,791
2. Contributions - employee	13,297
3. Net investment income	25,252
4. Benefit payments, including refunds of employee contributions	-
5. Administrative Expense	(116)
6. Other	-
7. Net change in plan fiduciary net position	\$ 56,224
8. Plan fiduciary net position - beginning	192,227
9. Plan fiduciary net position - ending	\$ 248,451
<b>C. Net pension liability [A.9-B.9]</b>	\$ (3,545)
<b>D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>	92.05%
<b>E. Covered-employee payroll</b>	\$ 255,114
<b>F. Net pension liability as a percentage of covered employee payroll [C / E]</b>	6.51%

**NOTE 9 – PENSION PLANS (Continued)**

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

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

	1% Decrease in Discount rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$25,245	\$(3,545)	\$(27,264)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tnrs.com](http://www.tnrs.com)

**CITY OF THRALL  
SCHEDULE OF PENSION EXPENSE  
SEPTEMBER 30, 2022**

1. Total Service Cost	\$ 23,801
2. Interest on the Total Pension Liability	14,899
3. Current Period Benefit Changes	-
4. Employee Contributions (Reduction of Expense)	(13,297)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(12,975)
6. Administrative Expense	116
7. Other Changes in Fiduciary Net Position	(1)
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(782)
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	(2,456)
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(2,365)
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	(1,251)
12. Total Pension Expense	<u>\$ 5,689</u>

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

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

## NOTE 9 – PENSION PLANS (Continued)

**CITY OF THRALL**  
**SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE**  
**SEPTEMBER 30, 2022**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2021 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.3600	\$ (2,626)	\$ (782)	\$ (1,844)
Difference in assumption changes [actuarial (gains) or losses]	3.3600	\$ -	\$ -	\$ -
			<u>\$ (782)</u>	<u>\$ (1,844)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings	5.0000	\$ (12,277)	\$ (2,456)	\$ (9,821)
on pension plan investments [actuarial (gains) or losses]			<u>\$ (2,456)</u>	<u>\$ (9,821)</u>
<u>Total:</u>				<u>\$ (11,665)</u>

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

	Net deferred outflows (inflows) of resources
2022	\$ (4,767)
2023	(5,493)
2024	(3,504)
2025	(2,453)
2026	-
Thereafter	-
Total	<u>\$ (16,217)</u>

**NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is on "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2022, 2021, and 2019 were \$1275, \$1275, and \$1,275 respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2017	N/A	N/A	100%
2018	N/A	N/A	100%
2019	0.00%	0.00%	100%
2020	0.00%	(city to provide)	(city to provide)
2021	0.00%	(city to provide)	(city to provide)

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

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2015 to December 31, 2019. These assumptions were adopted in 2019 and first used in the December 31, 2019 valuation.

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

The Mortality Experience Investigation Study covering 2015 through 2019 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF THRALL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER, 30, 2022**

**NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN**

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

**Changes in the Net Other Post Employment Benefits Liability**

	<b>Increase (Decrease)</b> <b><u>Total OPEB Liability</u></b>
<b>Balance at 12/31/20</b>	<b>\$ 21,481</b>
Changes for the year	
Service Cost	2,048
Interest on Total OPEB liability	450
Changes of benefit terms	0
Differences between expected and actual experience	(1,473)
Changes in assumption or other inputs	826
Benefit payments	<u>0</u>
Net changes	1,851
Total OPEB Liability – end of year	<b>\$23,332</b>
 Total OPEB Liability as a Percentage of Covered Payroll	 <b>8.77%</b>

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

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

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability	\$29,679	\$23,332	\$18,793

**CITY OF THRALL, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER, 30, 2022**

**NOTE 10 – SUPPLEMENTAL DEATH BENEFITS PLAN**

**Other Information**

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



**11. RISK MANAGEMENT**

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

**12. CONCENTRATIONS OF CREDIT RISK**

Proprietary fund accounts receivable are concentrated within the geographic service area of the utility system, which is within the City of Thrall. Those receivables are not concentrated within any individually significant customers. The City requires a deposit from each utility customer prior to establishing service. The net amount of proprietary fund accounts receivable at year end after reducing receivables for the allowance for doubtful accounts and after including estimated amounts for service provided but not yet billed at year end was \$49,027. Utility customer deposits held at year end totaled \$34,035.

**NOTE 13 – SUBSEQUENT EVENTS**

The City did not have any subsequent events through April 14, 2023, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statement for the fiscal year ended September 30, 2022..

## REQUIRED SUPPLEMENTAL INFORMATION

# City of Thrall, Texas

Budgetary Comparison Schedule  
General Fund

For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes, penalties, and interest	307,000	307,000	327,933	20,933
Sales tax	167,904	167,904	226,235	58,331
Franchise taxes	39,576	39,576	36,293	(3,283)
grant income	-	-	-	-
Municipal court fines	86,400	86,400	61,517	(24,883)
Lease income	4,585	4,585	-	(4,585)
Miscellaneous	2,000	2,000	3,500	1,500
Investment earnings	-	-	271	271
Total revenues	607,465	607,465	655,749	48,284
<b>EXPENDITURES</b>				
Current:				
General government	447,626	447,626	467,428	(19,802)
Public safety	149,832	149,832	25,479	124,353
Public Works Streets	-	-	51,877	(51,877)
Municipal court	-	-	44,768	(44,768)
Total expenditures	597,458	597,458	589,552	7,906
Excess (deficiency) of revenues over expenditures	10,007	10,007	66,197	56,190
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Outlay			(22,531)	(22,531)
Debt issued	-	-	-	-
Debt service principal paid			(58,380)	(58,380)
Debt service interest paid			(56,192)	(56,192)
Transfers In			184,120	184,120
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	47,017	47,017
Net change in fund balances	10,007	10,007	113,214	103,207
Fund balances - beginning	218,561	218,561	218,561	-
Fund balances - ending	\$228,568	\$228,568	\$ 331,775	\$ 103,207

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

<b>Total pension liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
1. Service Cost	10,724	13,936	15,633	16,457	19,286	23,266	23,800
2. Interest (on the Total Pension Liability)	5,128	6,462	7,501	9,284	10,486	12,495	14,895
3. Changes of benefit terms	4,861	-	-	-	-	-	-
4. Difference between expected and actual experience	1,537	(5,580)	3,137	(9,338)	(929)	(409)	(2,600)
5. Changes of assumptions	3,479	-	-	-	(1,073)	-	-
6. Benefit payments, including refunds of employee contributions	-	-	(540)	-	-	-	-
7. Net change in total pension liability	25,729	14,818	25,731	16,403	27,770	35,352	36,000
8. Total pension liability - beginning	63,029	88,758	103,576	129,307	145,710	173,480	208,832
9. Total pension liability - ending	88,758	103,576	129,307	145,710	173,480	208,832	244,900
<b>Plan fiduciary net position</b>							
1. Contributions - employer	9,508	12,090	14,167	14,640	18,014	18,904	17,795
2. Contributions - employee	8,099	8,246	8,882	9,175	10,774	12,756	13,295
3. Net investment income	19	2,090	7,403	(2,504)	16,249	11,413	25,245
4. Benefit payments, including refunds of employee contributions	-	-	(540)	-	-	-	-
5. Administrative Expense	(12)	(23)	(38)	(48)	(91)	(73)	(110)
6. Other	-	(1)	(3)	(3)	(3)	(3)	-
7. Net change in plan fiduciary net position	17,614	22,402	29,871	21,260	44,943	42,997	56,225
8. Plan fiduciary net position - beginning	13,140	30,754	53,156	83,027	104,287	149,230	192,227
9. Plan fiduciary net position - ending	30,754	53,156	83,027	104,287	149,230	192,227	248,452
<b>Net pension liability [A.9-B.9]</b>	<b>58,004</b>	<b>50,420</b>	<b>46,280</b>	<b>41,423</b>	<b>24,250</b>	<b>16,605</b>	<b>(3,548)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]</b>							
	34.65%	51.32%	64.21%	71.57%	86.02%	92.05%	101.44%
<b>Covered-employee payroll</b>	<b>\$ 161,987</b>	<b>\$ 164,927</b>	<b>177,642</b>	<b>183,464</b>	<b>215,481</b>	<b>255,114</b>	<b>265,925</b>
<b>Net pension liability as a percentage of covered employee payroll [C / E]</b>							
	35.81%	30.57%	26.05%	22.58%	11.25%	6.51%	-1.35%

**City of Thrall**  
**Schedule of Contributions**  
**Last 10 Fiscal Years (will ultimately be displayed)**  
**September 30, 2022**

	2015	2016	2017	2018	2019	2020	2021
Actually Determined Contribution	\$ 17,607	\$ 20,336	\$ 23,049	23,813	28,788	31,660	31,088
Contributions in relation to the actuarially determined contribution	17,607	20,336	23,049	23,813	28,788	31,660	31,088
		-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employee payroll	\$ 161,987	\$164,927	\$177,642	183,464	215,481	255,114	265,933
Contributions as a percentage of covered employee payroll	10.87%	12.33%	12.97%	22.58%	11.25%	12.41%	11.69%

**Notes to Schedule of Contributions**

Valuation Date determined 12/31/2021  
Notes

**Valuation Date:**

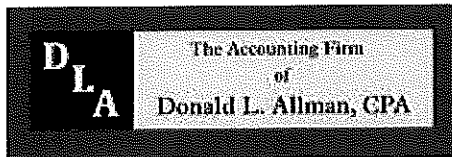
Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:**

Notes There were no benefit changes during the year.



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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor & City Council  
City of Thrall, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Thrall, Texas, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Thrall, Texas' basic financial statements, and have issued our report thereon dated April 14, 2023.

**Internal Control over Financial Reporting**

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

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

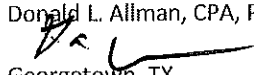
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Donald L. Allman, CPA, PC  
  
Georgetown, TX  
April 14, 2023