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CERTIFIED PUBLIC ACCOUNTANT

**The City of
UHLAND, TEXAS**
*ANNUAL FINANCIAL REPORT
With SUPPLEMENTARY INFORMATION
For the Year Ended
September 30, 2020*

MEMBER TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS & AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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Table of Contents

INTRODUCTORY SECTION

Title Page	1
Table of Contents	2

FINANCIAL SECTION

Independent Auditor's Report	5
Management's Discussion and Analysis (Required Supplementary Information)	8

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position	14
Statement of Activities and Change in Net Position	15

Fund Financial Statements

Governmental-Funds Financial Statements

Balance Sheet – Government Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	19

Notes to Financial Statements	20
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REQUIRED SUPPLEMENTARY SCHEDULES

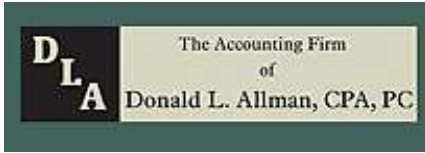
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Governmental Fund	31
---	----

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	32
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INTRODUCTORY SECTION

FINANCIAL SECTION



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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor and
City Council Members of the
City of Uhland, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the government activities, the discretely presented component unit, and each major fund, of the City of Uhland, Texas (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and each major fund of the City of Uhland, Texas as of September 30, 2020, and respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis, budgetary comparison information and defined benefit pension plan information identified as required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part to the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 28, 2021, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Donald L. Allman, CPA, PC

June 28, 2021

Georgetown, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF UHLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to provide a narrative overview of the City of Uhlend, Texas' (the City) financial activities for the year ended September 30, 2020. The analysis is based on currently known facts, decisions, and economic conditions. The information should be used in conjunction with the transmittal letters and accompanying basic financial statements.

Financial Highlights

- Total assets at September 30, 2020 were \$1,532,707 for the governmental funds.
- Total liabilities at September 30, 2020 were \$61,546 for the governmental funds.

Net income for the fiscal year ending September 30, 2020 was \$900,913 in Government Wide financial statements and \$630,093 for governmental fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The structure of this financial report divided into three areas. These areas are the Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information.

The City's basic financial statements include (1) the independent auditor's report, (2) the government-wide financial statements, (3) the fund financial statements and (4) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, and using the full accrual method rather than modified accrual that is used in the fund level statements.

CITY OF UHLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020

The Statement of Net Position and Statement of Activities divide the City's financial into two classes of activities:

1. *Governmental Activities* – include the city's tax-supported services, sanitation, streets drainage (public works), community services, and general administrative services (general government). Property tax, sales tax, franchise taxes municipal court fines, and permit fees fund most of these activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation for which the City pays over 90% of its revenues through City Sales Taxes. Financial information for this component unit is reported separately from the financial information present for the primary government itself.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The City uses one fund type – governmental.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. The remaining governmental funds are combined into single, aggregated presentation.

The City adopts an annual budget for its general funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

Proprietary Funds (The City of Uhlend Does not Have a Proprietary Fund)

CITY OF UHLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund. Proprietary Fund, and a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position:

The Condensed Statement of Net Position is displayed in Table One. This statement is often referred to as the Balance Sheet. The statement shows a modest increase in assets of the Governmental Activities as the City added several pieces of new equipment to the public works area.

The city's financial position for the last two years is presented in Table 1, the Condensed Statement of Net Position.

Table 1
Summary of Net Position

	<u>2020</u>	<u>2019</u>
Cash and Current Assets	\$ 960,941	\$ 289,709
Capital Assets	<u>571,766</u>	<u>338,708</u>
Total Assets	1,532,707	628,417
Current Liabilities	<u>61,546</u>	<u>58,169</u>
Total Liabilities	61,546	58,169
Net Position:		
Net Investment in Capital Assets	571,766	338,708
Unrestricted	<u>899,395</u>	<u>231,540</u>
Total Net Position	<u><u>1,471,161</u></u>	<u><u>570,248</u></u>

CITY OF UHLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020

Statement of Activities:

The Condensed Statement of Activities and Changes in Net Position is displayed in Table 2. This statement is often referred to as the Profit and Loss Statement. Revenues of the Governmental Activities fund showed a positive increase of \$ 900,913. The following table provides a summary of the City's changes in net position.

Table 2
Summary of Changes in Net Position

	2020	2019
Program Revenues:		
Charges for Services	\$ 968,321	\$ 419,989
General Revenues:		
Property Taxes	135,257	71,350
Franchise Taxes	38,670	37,466
Local Sales Taxes	307,912	225,590
Community Center Rent	4,800	10,350
Grant income	215,251	-
Other	29,236	2,798
Interest Income	710	673
Total Revenues	<u>\$ 1,700,157</u>	<u>\$ 768,216</u>
Program Expenses		
General Government	\$ 799,244	\$ 684,938
Total Expenses	<u>\$ 799,244</u>	<u>\$ 684,938</u>
Change in Net Position	\$ 900,913	\$ 83,278
Beginning Net Position	\$ 570,248	\$ 486,970
Ending Net Position	<u>\$ 1,471,161</u>	<u>\$ 570,248</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for the year ended September 30, 2020 was balanced.

CITY OF UHLAND, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2020

CAPITAL ASSETS

At fiscal year-end 2020, the City’s investment in capital assets, net of accumulated depreciation, totaled \$571,766. . The increase was due to increases in the equipment purchases and infrastructure.

Capital Assets
Net of Accumulated Depreciation

	<u>2020</u>	<u>2019</u>
Non-depreciable Assets		
Land	\$ 36,000	\$ 36,000
Depreciable Assets:		
Buildings	260,000	260,000
Improvements	213,676	-
Heavy Equipment	202,820	138,798
Parks	18,345	18,345
Furniture & Equipment	34,135	34,135
Accumulated Depreciation	<u>(193,210)</u>	<u>(148,570)</u>
Totals:	<u>\$ 571,766</u>	<u>\$ 338,708</u>

LONG-TERM DEBT

The City has no indebtedness.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City of Umland experienced rapid and expansive growth over the past fiscal year. Revenues for building permits and subdivision fees more than doubled, property tax revenues almost doubled, and sales tax revenues increased over 33%.

REQUESTS FOR INFORMATION

Requests for information may be addressed to:

The City of Umland, Texas
 15 North Old Spanish Trail
 Umland, Texas, 78640

The City’s phone number is (512) 398-7399.

BASIC FINANCIAL STATEMENTS

CITY OF UHLAND, TEXAS
STATEMENT OF NET POSITION
September 30, 2020

Primary Government

	Governmental Activities	Total	Component Unit EDC
<u>ASSETS:</u>			
Current assets:			
Cash and Cash Equivalents	\$ 429,624	\$ 429,624	398,527
CD's & Investments	326,157	326,157	
Receivables (net)	205,160	205,160	234
Total Current Assets	\$ 960,941	\$ 960,941	398,761
Capital Assets:			
Land	\$ 36,000	\$ 36,000	
Buildings & Improvements	471,744	471,744	
Net of Accumulated Depreciation			
Machinery, Furniture & Equipment, net of Acc. Depr.	64,022	64,022	-
Total Capital Assets	\$ 571,766	\$ 571,766	-
Total Assets:	\$ 1,532,707	\$ 1,532,707	398,761
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 61,546	\$ 61,546	-
Total Current Liabilities	\$ 61,546	\$ 61,546	-
Total Liabilities:	\$ 61,546	\$ 61,546	-
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 571,766	\$ 571,766	-
Restricted for: Special Revenue	-	-	-
Unrestricted (deficit)	899,395	899,395	398,761
Total Net Position	\$ 1,471,161	\$ 1,471,161	398,761

See Notes to Financial Statements

CITY OF UHLAND, TEXAS
STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION
For the Year Ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense)</u> <u>Revenue</u>	<u>EDC</u>
Primary Government				
Governmental Activities:				
General Government	\$ 799,244	\$ -	\$ (799,244)	
Public Works	-	-	-	
Health and Sanitation	-	-	-	
Interest on Long-term Debt	-	-	-	
Total Governmental Activities	<u>\$ 799,244</u>	<u>\$ -</u>	<u>\$ (799,244)</u>	
Total Primary Government	<u>\$ 799,244</u>	<u>\$ -</u>	<u>\$ (799,244)</u>	
Component Unit:				
Economic Development Corporation	<u>\$ 2,243</u>	<u>\$ -</u>		<u>\$ (2,243)</u>
 General Revenues:				
Taxes:				
Property Taxes			\$ 135,257	
Franchise Taxes			38,670	
Local Sales and Use Taxes			307,912	94,410
Charges for Services			968,321	
Interest Income			710	2,711
Grant income			215,251	
Community Center Rental Income			4,800	
Miscellaneous			<u>29,236</u>	
Total General Revenues:			\$ 1,700,157	<u>97,121</u>
Change in Net Position			\$ 900,913	94,878
Net Position - Beginning			\$ 570,248	303,883
Net Position - Ending			<u>\$ 1,471,161</u>	<u>398,761</u>

See Notes to Financial Statements

CITY OF UHLAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	<u>General</u>	<u>Total Governmental Funds</u>
Assets:		
Cash and Cash Equivalents	\$ 429,624	\$ 429,624
Investments	326,157	326,157
Receivables (net)	<u>205,160</u>	<u>205,160</u>
Total Assets:	<u>\$ 960,941</u>	<u>\$ 960,941</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 61,546	\$ 61,546
Deferred Revenue	<u>40,374</u>	<u>40,374</u>
Total Liabilities	<u>\$ 101,920</u>	<u>\$ 101,920</u>
Liabilities and Fund Balances		
Special Revenue Funds	\$ -	\$ -
Unreserved	<u>859,021</u>	<u>859,021</u>
Total Fund Balances	<u>\$ 859,021</u>	<u>\$ 859,021</u>
Total Liabilities & Fund Balances	<u>\$ 960,941</u>	<u>\$ 960,941</u>

See Notes to Financial Statements

CITY OF UHLAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2020

Total Fund Balance - Total governmental Funds	\$ 859,021
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Amounts reported for governmental activities in the statement of net assets are different because: Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.

	40,374
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Capital assets of \$571,766 net of accumulated depreciation, are not financial resources, and therefore, are not reported in the funds. See Note 3.A.3. for additional detail.

	571,766
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Long-term liabilities of \$0.00 are not due and payable I the current period and are not reported in the funds. See Note 3.B.1. for detail.

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Net Position of Governmental Activities	<u>\$ 1,471,161</u>
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CITY OF UHLAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>		
Property Taxes	\$ 101,621	\$ 101,621
Franchise Taxes	38,670	38,670
Local Sales and Use Tax	307,912	307,912
General Government	968,321	968,321
Interest Income	710	710
Community Center Rent	4,800	4,800
Other	<u>29,236</u>	<u>29,236</u>
Total General Revenues	<u>\$ 1,451,270</u>	<u>\$ 1,451,270</u>
 <u>Expenditures</u>		
General Government	\$ 758,730	\$ 758,730
Public Works	-	-
Health & Sanitation	-	-
Principal Payments	-	-
Interest on Long-term Debt	-	-
Capital Outlay	<u>277,698</u>	<u>277,698</u>
Total Expenditures	<u>\$ 1,036,428</u>	<u>\$ 1,036,428</u>
 Excess (deficiency) of		
Revenues & Expenditures	\$ 414,842	\$ 414,842
Grant income	215,251	215,251
Transfers In	-	-
Transfers Out	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ 630,093</u>	<u>\$ 630,093</u>
 Fund Balances - Beginning	 \$ 228,928	 \$ 228,928
 Fund Balances - Ending	 <u>\$ 859,021</u>	 <u>\$ 859,021</u>

CITY OF UHLAND, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net Change in Fund Balance - Total Governmental Funds \$ 630,093

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

Differences between government-wide and governmental funds accounting 4,802

Governmental funds report capital outlays as expenditures, and capital asset retirements as inflows. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount which capital outlays exceeded capital asset retirements in the current period.

277,022

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.

\$ (44,640)

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

Property Taxes Not Collected	\$ 40,374
Less Prior Year	<u>6,738</u>
	\$ 33,636

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

Principal Payments	
Loan Issuance	<u>-</u>
	\$ -

Changes in Net Position of Governmental Activities \$ 900,913

NOTES TO FINANCIAL STATEMENTS

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

The City follows Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless they conflict with Government Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

The City of Umland, Texas (the City) was incorporated in 1985, under the provisions of the State of Texas. The City operates under a General Law Charter. A Mayor and five Council members are elected by voters for the City, at large, for four-year terms.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for the charter or by ordinance. The Mayor is the presiding officer of the City Council.

The City provides the following services: public works, solid waste collection and disposal (contract), community services, and general government.

The City is an independent political subdivision of the State of Texas governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles. These basic financial statements have been prepared based on consideration regarding the potential for inclusion of other entities, organization, or functions as part of the City's financial reporting entity. As the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting City are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting City status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and any component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from legally separate *component units* for which the primary government is financially accountable.

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

B. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the inter-fund services.

Component Units are separate legal entities that meet the component unit criteria. Currently, the Uhland Economic Development Corporation meets the criteria and is discretely presented within the government-wide financial statements of the City. The Uhland Economic Development Corporation was formed 10/28/2008 by resolution of the City Council. By special election dated August 12, 2000, the Citizens of the City of Uhland, Texas approved adoption of a one half of one percent sales tax pursuant to Section 4B of the Development Corporation Act of 1979.

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. The emphasis of fund financial statement is on the major governmental is presented.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services, and trash and refuse collections. Expenditures include general government, public safety, public works, trash and refuse collection services, and community services. The intent of the governing body for trash and refuse collections, is that the cost (expense including depreciation) of providing goods or services for the general public on a continuing basis will be financed or recovered primarily through user charges.

Additionally, the City reports the following fund type:

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from /to other funds and advances to/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 the funds included in governmental activities (i.e. the governmental and internal serve funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, the amounts are reported at gross amounts as transfer 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 governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirement imposed by the provider have been met.

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 soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days yearend). All other revenue items are considered to be measurable and available only when cash is received by the City.

E. 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. For the purpose of the statement of cash flows, the general fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents. All cash amounts are secured by the FDIC.

F. Investments

Although the City does not currently have any pooled investments. City policy requires that it comply with GASB Statement No. 31. Accounting on Reporting for Certain Investments and External Investment Pools when excess funds for investment into pools are available. The City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs.

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

F. Investments (Continued)

Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, are authorized to invest in the following:

- Direct obligations of the U.S. Government for U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Banker's acceptance
- Statewide investment pools

G. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

H. Accounts Receivable

The City has a history of mediocre collectability in the governmental fund. The City's allowance for doubtful accounts are those amounts exceeding 60 days past due. The City does not recognize an allowance for non-collectable ad valorem taxes.

I. Restricted Assets

When applicable, certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their uses are limited by applicable bond covenants or contractual agreements. Restricted assets of governmental fund are restricted by bond covenants for repayment of debt and finance construction projects.

J. Capital Assets

Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the governmental activities column of the government-wide financial statement. In accordance with GASB Statement No.34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are completed and placed in service. Interest costs incurred in connection with construction of government fund capital assets are capitalized when the effects of capitalization materially impact the 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. Property, Plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Asset Description	Estimated Useful Life
Building and improvements	40 years
Equipment	5-7 years
Infrastructure	50 years

K. Deferred Outflows/Inflows of Resources

In addition to assets, 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 consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, *unavailable revenue*, are reported only in the governmental funds, balance sheet. The governmental funds report unavailable revenues from property taxes, court fines and warrants, and refuse. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Compensated Employee Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts accumulated, up to certain amounts set by Council, may be paid to employees upon termination of employment.

Upon retirement from the City, an employee will receive compensation for unused sick leave hours up to the approved maximum hours. The estimated amount of compensation for services provided that is expended to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidate with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

M. Long-Term Obligation

The City has no long-term debt.

N. Net Position Flow Assumption

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

CITY OF UHLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

O. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of the unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Non-spendable fund balance represents amounts that cannot be spent because they are either in non-spendable form (such as inventory or prepaid insurance) or are legally required to be maintained intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amount that can be used only for the specific purposes determined by formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balances. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City strives to maintain a minimum unassigned fund balance in the general fund between 90 and 100 days of current year operating expenditures.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumption that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures / expenses during the reporting period. Actual results could differ from those estimates.

R. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, series or privileges provided by a given function or segment and 2) grants, and contributions (including special assessments) that are restricted to meeting the operation or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

S. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City’s tax bill. Taxes become delinquent, with an enforceable lien on property on February 1 of the following year.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for funds. Appropriations lapse at the end of the year, excluding capital project budgets. There were no supplemental budgets appropriations may be made for the year ended September, 2020.

NOTE 3 – DEPOSITS AND INVESTMENTS

As of September 30, 2020, the City had the following cash and investments:

	<u>Balance</u> <u>September 30, 2020</u>	<u>Insured</u>	<u>Collateralized</u>	<u>Balance</u> <u>Uncollateralized</u>
General Fund - Cash	\$ 429,624	\$ 250,000	\$ 179,624	\$ -
General Fund-Invest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 429,624</u>	<u>\$ 250,000</u>	<u>\$ 179,624</u>	<u>\$ -</u>

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Custodial credit risk deposits – In the case of deposits, this is the risk that the City’s deposits may not be returned in the event of a bank failure. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2020, fair market values of pledged securities and FDIC coverage exceed bank balances.

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Custodial credit risk investments – For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of counterpart. The City’s investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades where applicable shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody / safekeeping agent.

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year end is as follows:

	Balance <u>Sept. 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2020</u>
Primary Government				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Buildings	260,000	-	-	260,000
Improvements	-	213,676		213,676
Heavy Equipment	138,798	64,022		202,820
Parks	18,345			18,345
Furniture & Fixtures	34,135	-	-	34,135
Accumulated Depreciation	<u>(148,570)</u>	<u>(44,640)</u>	<u>-</u>	<u>(193,210)</u>
Total	<u>\$ 338,708</u>	<u>\$ 233,058</u>	<u>\$ -</u>	<u>\$ 571,766</u>

NOTE 5 – RECEIVABLES

Amounts are aggregated into single account receivable (net of allowance for uncollectable) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, and the enterprise fund, including the applicable allowances for uncollectible accounts:

	Governmental Activities
Accounts Receivable	205,160

Property taxes are collected and remitted to the city by the Hays and Caldwell County Tax Assessor-Collector. The Hays and Caldwell County Appraisal District appraises property values for the City. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Code. Current taxes become delinquent on February 1 following the tax year. The City’s Ad Valorem Tax Rate for 2020 was \$0.1751 per \$100.00 assessed valuation. The adjusted original tax roll was \$135,257 on total taxable assessed value of \$77,245,877.

Property taxes as of September 30, 2020, are as follows:

Current Taxes Receivable \$3,023, Delinquent Taxes Receivable \$37,351 Total \$40,374.

CITY OF UHLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 6 – LONG-TERM OBLIGATIONS

The City has not long-term debt.

NOTE 7 – TRANSFERS

The general fund did not have any transfers.

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions; and natural disasters for which the City participates along with over 2,600 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

NOTE 9 – CONTINGENT LIABILITIES

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is not a defendant in any lawsuits.

NOTE 10 – OTHER

A. Contracts

The City did not have any significant contracts at September 30, 2020.

B. Subsequent Events and Related Party Transactions

There are no reportable subsequent events as of the report date. There were no significant related party transactions during the fiscal year.

REQUIRED SUPPLEMENTARY SCHEDULES

CITY OF UHLAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BUDGET AND ACTUAL – GOVERNMENTAL FUND
For the Year Ended September 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenue				
Property Taxes	\$ 70,882	\$ 89,471	\$ 101,621	\$ 12,150
Franchise Taxes	54,000	54,000	38,670	(15,330)
Sales Taxes	240,000	240,000	307,912	67,912
Code Permits & Enforcement	354,090	354,090	818,256	464,166
Interest Earnings	829	829	710	(119)
Community Center	9,000	9,000	4,800	(4,200)
Solid Waste Service	176,400	176,400	150,065	(26,335)
Grant income			215,251	215,251
Other	3,000	3,000	29,236	26,236
Total Revenues	<u>\$ 908,201</u>	<u>\$ 926,790</u>	<u>\$ 1,666,521</u>	<u>\$ 739,731</u>
Expenditures:				
Electric	\$ 7,264	\$ 7,264	\$ 5,570	\$ (1,694)
Water	-	-	-	-
Trash	90,170	90,170	105,382	15,212
Internet Service (IP Telephone)	2,904	2,904	-	(2,904)
Payroll Expenses	215,836	215,836	224,682	8,846
TML Insurance Package	38,400	38,400	32,215	(6,185)
Contract Labor	83,250	83,250	80,372	(2,878)
Reparis & Maintenance	1,000	1,000	16,978	15,978
Professional Fees	93,378	93,378	93,275	(103)
police Department	-	-	-	-
Street Repair	185,000	185,000	-	(185,000)
Community Center	2,500	4,500	1,767	(2,733)
Office supplies and expenses	30,454	30,454	49,815	19,361
Permits	-	-	5,771	5,771
Misc Expenses	47,395	48,395	48,727	332
EDC Portion of Sales Tax	82,455	82,455	94,176	11,721
Capital outlay	-	-	277,698	277,698
Transfer to Savings	28,195	43,784	-	(43,784)
Total Expenditures	<u>\$ 908,201</u>	<u>\$ 926,790</u>	<u>\$ 1,036,428</u>	<u>\$ 109,638</u>
Excess (Deficiency) of Revneues				
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,093</u>	<u>\$ 630,093</u>
Net Changes in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,093</u>	
Fund Balances - Beginning	<u>\$ 228,928</u>	<u>\$ 228,928</u>	<u>\$ 228,928</u>	
(GAAP Basis)				
Fund Balances - Ending	<u>\$ 228,928</u>	<u>\$ 228,928</u>	<u>\$ 859,021</u>	

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 Umland, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Umland, Texas, as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Umland, Texas' basic financial statements, and have issued our report thereon dated June 28, 2021

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Umland, 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 Umland, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Umland, 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 Umland, 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
June 28, 2021

